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U.S. Studying Ways to Pressure Nicaragua

Washington Is Said to Weigh Moves Short of Direct Military Intervention

By Philip Taubman
New York Times Service

WASHINGTON — The Reagan administration, concerned about what it says is an increased flow of Soviet bloc weapons to Nicaragua, is considering intensifying diplomatic and military pressure on Managua, according to senior administration officials.

They said the moves being discussed included the recall of the U.S. ambassador to Nicaragua, the navy's interdiction at sea of arms shipments to Nicaragua, an increase in the frequency and size of U.S. military maneuvers in Central America and, if Congress agrees, a resumption of aid to Nicaraguan rebels.

The aim, they said, is to intimidate Nicaragua without the direct use of U.S. military force inside Nicaragua. The proposals, they said, could range from shadowing ships and harassing them to a full naval quarantine of Nicaragua.

Pentagon and State Department officials said recent shipments from the Soviet bloc to Nicaragua included surface-to-air missiles, attack helicopters, sophisticated anti-aircraft guns and radar equipment and high-speed patrol boats. Some U.S. military officers have described the arms as primarily defensive.

Administration officials said the government, in part to build support for an increase in U.S. pressure, made a major issue last week out of what it had suggested was the possible shipment of fighter planes to Nicaragua.

Late on Friday, national security officials said they were almost certain that no advanced fighter planes were aboard the Soviet freighter that docked Wednesday at the Pacific port of Corinto.

The discussion of future tactics began last week at the Defense Department and Central Intelligence Agency with support from some White House aides, officials said.

The officials said that the outcome of the debate was uncertain but that whatever recommendations were forwarded to President Ronald Reagan would probably set the direction and tone of U.S. policy toward Nicaragua during the first phase of his second term.

Information about the proposals, which officials said were being handled with unusual secrecy to avoid public disclosure, was provided by an official who said he was opposed to an increase in U.S. pressure. Two other officials confirmed the information.

The possibility that Soviet MiG fighters were aboard a freighter that reached Nicaragua last week, according to the officials, provided an opportunity to dramatize the ties between Moscow and Managua and to demonstrate the potential for a major confrontation between the United States and Nicaragua.

The officials said the use of the freighter to focus attention on Nicaragua's relationship with the Soviet Union had not been planned by the administration, but once the story was given to reporters by unidentified officials, the government moved to exploit it.

Administration officials said Saturday that there was never more than circumstantial evidence that fighter planes were aboard the Soviet freighter that reached Corinto on Wednesday.

During the week, the United States warned the Soviet Union that it would not tolerate the delivery of advanced combat planes to Nicaragua. Senior officials said the administration would not rule out air strikes, sabotage or other military action short of an invasion to disable MiG fighters if they were landed in Nicaragua.

There is wide agreement in the administration that an intense lobbying effort should be made to persuade Congress that supporting Nicaraguan rebels is the best way to press Nicaragua without the direct use of U.S. military force.

Congress approved $14 million in aid to the rebels for the current fiscal year, which began Oct. 1, but stipulated that the money could not be used unless Congress renewed approval after March 1, 1985.

When the freighter was being loaded at the Black Sea port of Nikolayev in September, U.S. satellites showed that 12 crates of the kind that normally contain MiG-21 planes were at the adjoining dock, the officials said.

Surveillance was then hindered for several days by cloud cover. When the satellite next monitored the port, they said, the ship had left and the crates were gone, but it was unclear whether the boxes had been stowed on the freighter.

The cargo unloaded from the freighter included four high-speed Soviet patrol boats that can be used for minesweeping and surface-to-air missiles, the officials said.

In recent weeks, the officials said, several Soviet bloc ships, including a Bulgarian freighter, have docked at El Bluff on Nicaragua's Atlantic coast. Their cargo, the officials said, included four Soviet attack helicopters, anti-aircraft sys-

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The Associated Press

Dominic Gavin, a disabled Vietnam veteran, looks at the new bronze statue called "Three Fightingmen" at the Vietnam Veterans Memorial on the Mall in Washington.

A Monument With a Life of Its Own

Vietnam War Lives On at U.S. Veterans Memorial

By Arthur S. Brisbane
Washington Post Service

WASHINGTON — In a city of monuments, the Vietnam Veterans Memorial is yet another monument, a point of interest for the passing parade of tour buses, school field trips and guidebook-toting families.

But there is something very different about this stop. Around the memorial, a community has formed to interact with the 58,022 names of the dead etched in granite. This monument has taken on a life of its own.

Some come in the night to relive a battle. Some come to grieve for a comrade in arms, a fiancé, a son, a daughter. Some come because the war orphaned their emotions and the wall has become home. Some come to serve the lost soldiers.

Last weekend marked the second anniversary of the memorial's dedication. A ceremony Sunday, Veterans Day, attracted Vietnam veterans from around the country for the dedication of "Three Fightingmen," a heroic-sized bronze statue depicting a black, Caucasian and Hispanic in combat gear.

During a 24-hour period observed there last week, it was clear that the Vietnam War did not end for Americans with the Paris peace treaty. For those who want to talk geopolitics, as well as those who fought "Charlie" in the jungle, Vietnam lives on.

By 9 A.M. on a cool November morning, Edward Azevedo had already begun handing out the bright green brochures that explain the monument to visitors. A long-haired, bearded man of 34, he wore a "Screaming Eagles" T-shirt that announced his affiliation with the 101st Airborne Division.

For Mr. Azevedo, the wall is an anchor. He said he enlisted in the army when he was 17, a California high school dropout, and fought during the Tet offensive in early 1968.

He was wounded several times and since his discharge, he said, he has spent about three years in the psychiatric wards of Veterans Administration hospitals.

Mr. Azevedo first came to Washington when the memorial was dedicated, but the experience sent him into an emotional tailspin and he was hospitalized again. After his recovery, he yielded to the compulsion to see the memorial again.

He became a volunteer, socializing with other volunteers, spending his days at the wall and living on his veteran's disability pay.

"As many friends as I've lost in the war, I've gained as many at the memorial," he said.

As the morning passed, the visitors followed a recurring pattern, seeking names in directories, finding them on the wall, taking photographs and rubbings of names on the wall.

Pat Mulcahy saw for the first time the name of Stephen C. Harrell, the soldier she had planned to marry. Judy Purvis, a pacifist from Cleveland who did not know anyone killed in the war, came to concentrate on the cost of war.

Walking to the vertex of the memorial, where the

(Continued on Page 2, Col. 5)

Lebanese Say Talks Called Off

Israeli Arrest Of Shiites Stops Pullout Effort

By John Kifner
New York Times Service

BEIRUT — The Lebanese government, under strong pressure from Islamic fundamentalists, has suspended negotiations with Israel on a withdrawal of Israeli troops from southern Lebanon.

The talks, which had been expected to go on for months, opened Thursday in Naqoura, Lebanon, under United Nations auspices.

Lebanon announced Saturday that the reason for the suspension was the Israeli arrest of 13 Shiite Moslem officials of the Amal militia, which has been in the forefront of armed resistance to the Israeli occupation of southern Lebanon. The government said the talks could not be resumed until all the officials were freed.

[In Jerusalem, a senior official said Sunday that Israel will not release the Shiite militia leaders to meet the Lebanese demand, The Associated Press reported. The official, who spoke on condition he not be identified, said after a meeting of Prime Minister Shimon Peres' cabinet that the suspension of talks could be a negotiating tactic by the Lebanese.

["We are not going to release the prisoners to continue the discussions," the official said, adding that "the hope and feeling" is that the talks "will be resumed quite soon. There is a hope they will be resumed this week."]

Despite the Lebanese statements linking the suspension to the arrests, some officials in Beirut suggested that the real problem appeared to be a behind-the-scenes struggle between Nabih Berri, the leader of Amal, and fundamentalist Shiite clergymen.

The suspension of negotiations was announced separately by Mr. Berri and Prime Minister Rashid Karami.

Mr. Karami, after a 90-minute meeting with President Amin Gemayel, said there would be "no more meetings with Israel" until the arrested Shiite militants were released.

Mr. Berri took an even stronger position, calling for a general strike in southern Lebanon on Monday.

"Let it be a southern uprising," said Mr. Berri, who is minister for the south in the Lebanese cabinet. "Block roads, burn tires and carry out a general strike."

The issue raised by Mr. Berri and Mr. Karami on Saturday concerned the arrest of an Amal leader in the south, Mahmoud Fakih, and a dozen associates in Sidon on Thursday night. The Israelis reportedly released eight of the detainees but kept Mr. Fakih and his closest associates in custody.

Israeli troops reportedly raided a

(Continued on Page 2, Col. 1)

France, Libya Say Pullout From Chad Is Complete

By Michael Dobbs
Washington Post Service

PARIS — France and Libya have announced the completion of a phased withdrawal of their troops from Chad after a 15-month standoff in the desert.

The withdrawal paves the way for a modest improvement in relations between Paris and Tripoli, which have been strained severely as a result of the confrontation in Chad. French officials have hinted at the possibility of a summit meeting between Colonel Moamer Qadhafi, the Libyan leader, and President François Mitterrand of France.

The completion of the pullback, announced Saturday, represents a significant foreign policy success for Mr. Mitterrand at a time when his standing in the opinion polls has sunk to an all-time low because of public discontent over the way his Socialist government has handled the French economy. About 3,000 French troops were sent to Chad in August 1983 to prevent the overthrow of the government by Libyan-backed rebels.

"The purpose of the operation was to make the foreigner leave. He has left," said Claude Cheysson, the French external relations minister, in a television interview. "Chad is once again in the hands of the Chadians."

Questioned about the possibility of improving relations with Libya, Mr. Cheysson added: "Colonel Qadhafi has a special kind of policy, different from ours. It is good to be able to talk to him, at all levels. Such meetings must take place, also at the highest level, when the occasion presents itself."

The withdrawal of French and Libyan troops was confirmed by observers from both sides. Previously Chadian officials had expressed doubts that the Libyans would stick to their side of the agreement that was announced Sept. 17.

The pullback leaves President Hissène Habré of Chad in a strengthened political and military position. His French-trained army is considered better organized and equipped than the rebels under Goukouni Oueddei, the former president who was deposed by Mr. Habré in 1982 and who still controls the north of the country.

French military intervention in Chad was condemned by radical black African states. But it received enthusiastic support from the Reagan administration and moderate French-speaking African countries concerned about the threat of Libyan expansionism to their own stability.

The joint statement Saturday, released simultaneously in Paris and Tripoli, said that "the evacuation operations of the French forces in Chad and the Libyan units" had ended "following the intervention

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The New York Times

The U.S. secretary of state, George P. Shultz, in his office.

Soviet Seeks Details Of U.S. Arms Proposal

By Bernard Gwertzman
New York Times Service

WASHINGTON — The Soviet Union has sought clarification of President Ronald Reagan's proposal for wide-ranging "umbrella" talks on arms control, according to the State Department.

The Soviet inquiries have produced some hope that Secretary of State George P. Shultz and the Soviet foreign minister, Andrei A. Gromyko, might hold more detailed discussions on nuclear issues early next year.

Administration officials said Friday, however, that the Soviet Union had so far limited itself to asking questions without making any commitment to resuming the suspended talks on medium-range missiles or strategic arms.

In public, the Soviet Union has criticized the U.S. proposals, arguing that Washington is trying to avoid making substantive concessions by coming up with procedural suggestions like the "umbrella talks" and the creation of a special arms-control "czar" who would deal directly with the president.

Mr. Shultz, however, made it clear Thursday in an interview that he opposed appointing a special negotiator, or "czar," on arms control and that he felt it better that he and Mr. Gromyko coordinate discussions under the "umbrella" concept outlined by Mr. Reagan at the United Nations in September.

According to Mr. Shultz, other officials would be involved in specific negotiations, "but there has to be some overall place where it's managed below the president."

Tass, the Soviet press agency, also assailed the idea of an arms-control czar, saying that "this is no more than a routine trick."

"It is a smokescreen for the continuation of the present course of the administration," Tass said.

On Sept. 24, Mr. Reagan, noting that there were many different arms-control negotiations, said: "We need to extend the arms-control process to build a bigger umbrella under which it can operate — a road map, if you will, showing

(Continued on Page 2, Col. 4)

Savimbi Demands Role in Angolan Peace Negotiations

By Alan Cowell
New York Times Service

JAMBA, Angola — Jonas Savimbi, leader of a guerrilla movement based in southern Angola, is demanding that he be included in the newest phase of U.S.-sponsored peace talks in this region of intertwined conflicts.

If he continues to be excluded, he said at a press conference at his bush encampment Friday, he will seek to intensify his country's nine-year civil war next month by sending 7,000 newly trained soldiers to attack Luanda, the Angolan capital, 800 miles (1,300 kilometers) north of here.

"If we do not participate" in the negotiations, he said, "it becomes complicated."

"I do not want to rock the boat," he continued. "I want to be part of it."

While Mr. Savimbi, leader of the pro-Western National Union for the Total Independence of Angola, has given similar warnings in the past, his comments seemed to reflect a growing sense of alarm among him and his followers that they could be abandoned by allies who are seeking both peace in South-West Africa, also known as Namibia, and the withdrawal of Cuban troops from Angola.

[President José Eduardo dos Santos of Angola said Sunday that Angola and the United States were discussing an overall peace agreement for southern Africa, the official Angolan news agency said, Reuters reported from Lisbon.

[But he emphasized that any deal for withdrawing the estimated 25,000 Cuban troops from Angola depended on implementing independence for Namibia and pulling South African troops out of southern Angola. He made no mention of Mr. Savimbi's call for a role in talks on Namibian independence and a Cuban withdrawal.]

Mr. Savimbi, a bearded guerrilla commander with a pistol on his hip and a general's three stars on his uniform, said that the 7,000 soldiers would complete their training on Dec. 20 and would be "ready to close on Luanda strongly."

In later briefings for smaller groups of correspondents, flown in from South Africa to what Mr. Savimbi calls his provisional capital here, he seemed to modify his warning. He said that for the soldiers, the "objective is nothing else but Luanda."

The rebel leader's worries have been prompted by the U.S. initiative to arrange an agreement between South Africa and Angola that will lead to independence in Namibia in tandem with the withdrawal of an estimated 30,000 Cuban soldiers based in Angola to protect the Marxist government from Mr. Savimbi's forces.

South Africa is the rebels' main backer, and independence in Namibia, the main conduit for support, would sever the prinicipal route for supplies of fuel, ammmition and other items regarded as critical to Mr. Savimbi's effort.

Drawing a distinction between the White House and the U.S. State Department, Mr. Savimbi offered strong congratulations to President Ronald Reagan on his re-election, was sharply critical of the State Department, demanding that it clarify its position on the Cuban presence in Angola.

Last week, Chester A. Crocker, assistant secretary of state for African affairs, returned to Washington from the Cape Verde Islands, where he met senior South African officials. Mr. Crocker reportedly conveyed to the African officials an Angolan offer to scale down the number of Cubans in the country and redeploy them to the north if South Africa agrees to put into effect a United Nations plan for independence in Namibia.

An American participant in the discussions said the protracted talks could be at "the beginning of an endgame" but stressed that tough negotiations lay ahead. Previously, Angola has refused to accept U.S. and South African demands that link ending Namibia's guerrilla war with a Cuban withdrawal from Angola.

Mr. Savimbi acknowledged that concern over his movement's future had prompted the convening last week of a special congress here to discuss alternative strategies in case allies such as the United States and South Africa strike a deal with Mr. dos Santos.

He argued that his organization's fight against the ruling Popular Movement for the Liberation of Angola had been the principal factor in forcing Mr. dos Santos to negotiate on the Cuban presence.

"We want the negotiators to recognize the elements which are making the MPLA more amenable — we are," he said. The initials stand for Mr. dos Santos's party, which took power with Cuban help in a bitter civil war surounding Angola's independence from Portugal on Nov. 11, 1975. Mr. Savimbi's party is widely known by its acronym, UNITA.

In a declaration read at the end of the meeting before 1,700 well-drilled soldiers and several thousand civilians, Mr. Savimbi said: "UNITA, while enjoying the sympathy of the United States of America and of the Republic of South Africa, is not of the view to accept being traded in for a fictitious withdrawal of the Cubans from Angola. UNITA will have to be a party to all negotiations whose objective will be to determine the future of Namibia and the corresponding withdrawal of the Cubans from our country."

Mr. Savimbi did not offer to show reporters the 7,000 men who he said would be moving toward Luanda across the long distances of wild bushland that separate Jamba from the capital, and there was no independent corroboration of their existence.

The Associated Press

A captured Soviet tank moves through the Angolan rebel camp at Jamba in the south of the country.

Poll Finds Signs of Shift In Republicans' Favor

By Adam Clymer
New York Times Service

NEW YORK — President Ronald Reagan's lonely landslide is a personal victory with little precise policy mandate or clear ideological underpinning, but it offers the Republican Party several reasons for long-range hope, a New York Times/CBS News poll of voters shows.

For Republicans, every presidential victory raises the hope of a political realignment that would again make their party the nation's dominant party after half a century in which it has been unable to take lasting control of offices besides the White House.

The survey of 8,671 voters leaving polling places suggested that Election Day this year provided more encouragement for Republicans than the mixed record of congressional and gubernatorial elections might suggest.

On its face, the two-seat loss in the Senate and the gain of 14 seats, or perhaps one more, in the House of Representatives is most reminiscent of President Richard M. Nixon's landslide in 1972, when he defeated the Democrat, George S. McGovern, while his party lost two Senate seats and gained but a dozen in the House.

That landslide, probably because of the Watergate scandals, provided little long-range progress for the party.

But this time the Republicans showed depth. They coped easily with the first increase in voter turnout since 1960, carrying first-time voters for Mr. Reagan and for House candidates. Almost as many voters called themselves Republicans as Democrats this time; the Democratic edge of 43 percent to 29 percent in 1980 shrank to 38 to 35 percent in 1984.

Perhaps most important for the Republican Party, the youngest voters were solidly for Mr. Reagan, and more call themselves Republicans than Democrats. Four years ago, this group was Jimmy Carter's most favorable age group.

The Times/CBS News Poll found that three-fifths of Mr. Reagan's voters agreed with him on issues that mattered to them, from arms control to abortion. But a fifth had important disagreements and another fifth had no strong feelings on issues one way or the other. Those findings limited the degree to which any clear legislative mandate could be discerned.

Soviet commentators explain the Reagan victory. Page 4.

Watching Ronald Reagan's advisers will provide clues on U.S. economic policy. Page 15.

The proportion of the voters calling themselves conservative rose to 35 percent in 1984 from 30 percent in 1980, and Mr. Reagan's share of their votes reached 81 percent, compared with 72 percent in 1980.

But the significance of those increases was tempered by the fact that even fewer voters directly identified Mr. Reagan's conservatism as a reason for voting for him.

Mr. Reagan's personal style and handling of the economy, which 83 percent of his voters thought was better, were the dominant strains.

Measuring the depth of Mr. Reagan's second-term mandate is especially difficult because his campaign managers chose to have him avoid specific campaign promises.

However, on the issue of whether taxes would have to be raised to reduce the federal deficit, where Mr. Reagan has taken the firm position that they do not, his support-

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INSIDE

Bonn Is Said to Urge Asylum-Seekers to Give Up

The Associated Press

HAMBURG — After weeks of fruitless negotiations with the Communist authorities, West Germany is urging East German asylum-seekers who sought refuge in four of its embassies in East European countries to go home, it was reported Sunday.

A government spokesman in Bonn said that he was unable to confirm or deny the unattributed reports by Welt am Sonntag and Bild Zeitung. Both newspapers are published in Hamburg.

The government announced Friday that up to 180 East German refugees were being sheltered by West German embassies in Prague, Warsaw, Budapest and Bucharest.

East Germany has insisted that they return home and apply for exit visas through normal channels, promising *not to punish them.*

The biggest and longest standoff involves more than 140 asylum-seekers camped out in the West German Embassy in Prague, Czechoslovakia, since early October.

Official Bonn sources earlier confirmed that disheartened refugees were leaving the Prague mission in small groups, but no exact count was available on how many had left.

Unconfirmed reports by West German news organizations said that between 15 and 65 people had abandoned the Prague embassy by Sunday and Bild said that 50 probably would leave Monday.

There was no indication whether refugees were doing the same in Budapest, Bucharest or Warsaw. West German embassies in those capitals are believed to be harboring around a dozen refugees each.

Welt am Sonntag said the refugees were being advised to follow their government's advice and return home to apply for legal emigration.

Both Welt am Sonntag and Bild said the West German government appeared optimistic that the refugees would eventually secure exit visas if they went home first.

Welt am Sonntag said Bonn had determined that the Communist authorities were granting a growing number of visas to citizens deemed "unreliable."

Bonn closed its Prague embassy indefinitely on Oct. 4, saying it was filled to capacity.

Beirut Halts Negotiations On Troops

(Continued from Page 1)

Shiite neighborhood in the mainly Sunni Moslem port city and detained the men. The raid followed an ambush Wednesday near the municipal building in Sidon in which an Israeli soldier was killed and four were wounded.

Mr. Berri has become closely identified with the Lebanese government's attempts to end the two-year occupation of southern Lebanon, which has imposed severe hardships and been met by increasing armed resistance by the largely *Shiite population.*

There have been daily guerrilla attacks on the Israeli troops and the Lebanese militias they have sponsored. The increasing casualties have been an important factor in Israel's desire to withdraw its troops.

Lebanon's efforts to negotiate an end to the occupation have been sharply opposed by fundamentalist clergymen, who say the government should not be dealing with Israel in the matter.

The most prominent Shiite clergyman, Sheikh Mohammed Mahdi Shamseddin, called in a sermon Friday for rejection of the talks because they were "a new trick from Israel."

The challenge from the Islamic clergymen is widely regarded here as a major threat to the somewhat Westernized, middle-class leadership of Mr. Berri and his associates over the Lebanese Shiites, who are rapidly becoming a major force in the country.

Sheikh Mohammed Hussein Fadlallah, an increasingly prominent fundamentalist who is viewed by many as the inspiration behind Hezbollah, an amorphous fundamentalist organization *influenced* by the Islamic revolution in Iran, was among several Moslem clergymen who staged a demonstration against the talks earlier last week.

Mr. Fadlallah and his followers were joined Friday by a Sunni fundamentalist leader from Tripoli, Prince Saeed Shabaan, who declared that the negotiations were "treason."

The challenge by the influential clergymen to Mr. Berri's participation appeared to raise questions about the Lebanese government's ability to continue with the negotiations.

There has been speculation that if the Lebanese government is unable to come up with a coherent plan, Israel may withdraw unilaterally from southern Lebanon. Lebanese officials fear that this could lead to clashes between the largely Shiite population and those who cooperated with the Israelis, mainly Lebanese Christians.

Meanwhile, most of the crossing points between East and West Beirut were reopened Saturday after two days of fighting, with only sporadic sniper fire reported in the city.

AP

Nabih Berri

Exit Poll Finds Signs of Shift In Republican Party's Favor

(Continued from Page 1)

ers agreed with him by 74 percent to 20 percent.

None of The Times/CBS News Poll's findings suggested that many Reagan voters were solidly against him on an issue that mattered to them. While 21 percent appeared to disagree on an issue that weighed heavily with them, two-thirds of that group also agreed on another issue that mattered.

But there were some pockets of disagreement. About half his voters identified arms control, the risk of war or military strength as key to their voting decisions, and about a quarter said the United States *ought to negotiate a nuclear freeze* first rather than strengthening its defenses first.

Nine percent of Mr. Reagan's voters identified abortion as a key issue, and two-thirds of them wanted to prohibit abortions. Among all *his voters, however, only 29 percent* took that absolute position, while 32 percent said they wanted abortion banned except in "extreme circumstances" and 35 percent favored the existing legal situation.

Two percent of Mr. Reagan's voters and 6 percent of Walter Mondale's said "policy toward Central America" was a major voting issue. They appeared to agree solidly with their candidate on that question.

Those who disagreed on issues *but voted for Mr. Reagan appeared* satisfied with his handling of the economy and felt that he provided strong leadership (cited by 41 percent of his voters) and experience (identified by 35 percent).

The holding of traditional values ranked well *down among the young* as a reason to support Mr. Reagan. They saw leadership, experience and the economy as reasons for giving Mr. Reagan an edge of 60 to 39 percent. This year those 18 to 24 years old preferred Republican House candidates by a margin of 48 to 41 percent. Of those in that age group, 40 percent called themselves Republicans while 34 percent said they were Democrats.

The partisan gap between men and women was considerably smaller in this presidential race than in 1980. Among all men, Mr. Reagan led, 61 to 37 percent; among women his margin was 57 to 42 percent. In 1980, Mr. Reagan led Mr. Carter by 55 to 36 percent among men and by 47 to 45 percent among women.

United Press International

REMEMBRANCE DAY — Queen Elizabeth II laid a wreath Sunday at the Cenotaph, a London memorial to war dead. She was commemorating the signing of the armistice on Nov. 11, 1918, which ended World War I.

Chad Withdrawal Completed

(Continued from Page 1)

of mixed teams of observers as foreseen under the agreement signed between the two countries."

While acknowledging that Libya enjoys better lines of communication with Chad, French officials have insisted that French troops will be sent back immediately in the event of a Libyan return. They also have warned privately of the possibility of using French air power to thwart any new Libyan move.

Recent comments by French officials suggest that the government is trying to use diplomatic pressures to discourage Mr. Habré from launching an expedition to reconquer rebel-held territories in northern Chad. The French fear that such an attempt could provoke Libyan retaliation and wreck the *withdrawal agreement as well as* the chance of a negotiated settlement among Chadian factions.

Speaking to the National Assembly last week, Mr. Cheysson said that after a civil war that has already lasted 17 years the "legitimate government" in Chad should concentrate its attention on economic development and restoring peace. He also announced $35 million in French aid for Chad, one of the poorest countries in the world.

Political analysts in Paris regard the Libyan pullback from Chad — the second such withdrawal in four years — as part of an attempt by Colonel Qadhafi to improve his image abroad. In August, the *Libyan* leader signed a treaty of unity between his revolutionary republic and Morocco, a conservative and generally pro-Western kingdom.

The treaty aroused suspicions in Washington but was defended by *King Hassan II of Morocco on the* ground that it would allow him to exercise a moderating influence over Libya.

Soviet Questions U.S. on Arms Talks

(Continued from Page 1)

where, during the next 20 years or so, these individual efforts can lead."

He said this would aid the different talks so that if one particular negotiation was stalemated, the "umbrella" framework could direct progress toward another area.

The idea came from the Arms Control and Disarmament Agency, officials said, as a way of resuming the suspended nuclear arms talks while holding out an opportunity to open talks on barring the militarization of outer space, something sought by Moscow.

It would also provide a forum for talks on other deadlocked issues such as the negotiations on banning chemical weapons, the negotiations on East-West conventional forces in Europe and on confidence-building measures in Europe.

On Friday, John Hughes, the State Department spokesman, said that when Mr. Gromyko held talks with Mr. Shultz and Mr. Reagan in September in New York and Washington, the Russian asked about the "umbrella talks concept."

There was "probing" and "clarification" when Mr. Shultz conferred on Oct. 26 with Ambassador Anatoli F. Dobrynin and on Oct. 31 when Ambassador Arthur A. Hartman met with Mr. Gromyko in Moscow, Mr. Hughes said.

He said the idea emerged from the discussion held with the Russians last summer when they proposed talks in Vienna in mid-September on banning space weapons. The United States agreed, but said the talks should not be limited to defensive weapons, like anti-satellite devices, but should include resumption of the suspended talks on nuclear arms. The Russians rejected combining the suspended talks with the space weapons, and the Vienna meeting was dropped.

A year ago, the Soviet Union suspended the talks on medium-*range missiles after the North* Atlantic Treaty Organization began deployment of new U.S. missiles. Moscow also did not agree to resume the strategic arms talks after the talks recessed last Christmas.

The Russians said the United *States* had to remove "obstacles" before the talks could be resumed. It said this meant a halt to the deployment of the new missiles and dismantling those already in place. More recently, however, the Soviet Union has not been so specific, leading to some speculation that it was looking for some way of resuming the talks.

Mr. Shultz said the umbrella talks "seemed like a way of creating a setting in which you could talk about a lot of important arms-control issues in a forum and sort of sort *them out and look at the relationships of one to the other.*"

But the administration has not said what actual proposals it would put on the table if negotiations resumed. Soviet diplomats have been trying to find out, for instance, if the United States would agree to a freeze on testing of anti-satellite weapons. Until now, at least, the administration has said it would not agree to a halt before the start of talks but would be willing to discuss such a move in negotiations.

■ Pravda Calls for U.S. Move

The Soviet Communist Party daily Pravda said Sunday that the Kremlin was waiting for Mr. Reagan to fulfill a "solemn promise" *made in his campaign to* work for arms reduction, The Associated Press reported from Moscow.

Monument With Special Role

(Continued from Page 1)

names of the first advisers killed in 1959 meet the names of the last killed when Cambodian forces seized the U.S. merchant ship Mayaguez in 1975, Miss Purvis closed her eyes and her face flushed with emotion.

"Without something like this to help you understand the pain of going through a war, you're not as good a pacifist," she said later.

Mr. Azevedo, on the other hand, like a number of other veterans *reminisced about how* the war could have been won.

"After the Tet offensive," he said, "I thought it would be ended by September. It was just such a major victory for us."

As dusk fell, scores of small lamps at the base of the memorial flickered on.

It is not unusual for shadowy figures to appear on the periphery of the memorial. Pegi Donovan, a Park Service volunteer, said she often saw them in the evening.

"There are regulars who come *down at night," she said. "I have* seen guys sitting up here by the seats and not be able to get any farther."

Up on the hill several hundred yards away, candles were glimmering in the darkness. A student group protesting American involvement in El Salvador and Nicaragua started moving toward the memorial, into an area that is off *limits to protesters.*

John Coalson, a battle-dressed veteran from Alabama, ran from his tent and shouted, "You can't do that down here!"

The candlelight group retreated.

"No, not here," said Mr. Coalson when they had gone. "These people died fighting against Communism and for freedom. Those people have no right. It's the same thing that went on with Vietnam, saying we don't belong in El Salvador. But this is on our border now, it's getting closer every day."

Long after the other visitors had left, a man sat in the grass facing the wall, motionless, with a kerosene lantern at his side. The night air was cold. The lights of the presidential monuments long since had been turned off. The man with the lamp just stared at the wall.

Suddenly, he shouted a curse and then sobbed.

WORLD BRIEFS

Diplomats Speculate on Soviet Death

MOSCOW (Reuters) — Diplomatic speculation that a senior Soviet leader may have died, prompted by the weekend dress of television announcers, abated Sunday when a top Kremlin official went ahead with a trip to Southeast Asia.

First signs of a death in the Soviet leadership are normally divined from the dress of newscasters and solemn music on state radio, given the habitual refusal of the authorities to comment ahead of an official announcement.

Sunday's midmorning television news broadcast was read by a woman announcer dressed in bright colors and an afternoon broadcast was read by another newscaster wearing somber tones. But a candidate member of the *Politburo, Vladimir I. Dolgikh, left on* an extended trip to Southeast Asia. His departure was seen as an indication that no sudden announcement was expected.

Speculation by diplomats had centered on Defense Minister Dmitri F. Ustinov, 76, who missed the Nov. 7 Red Square parade to mark the anniversary of the 1917 Russian Revolution. He has not been seen in public for six weeks.

Woman Sought in Brighton Bombing

LONDON (AP) — Scotland Yard said Saturday that it was seeking a 28-year-old Irish woman in connection with the Irish Republican Army's bombing of the Grand Hotel in Brighton last month. Prime Minister Margaret Thatcher and members of her cabinet narrowly escaped death in the attack.

A Scotland Yard spokesman, Martin Habgood, said that the woman, Evelyn Glenholme, "is wanted by anti-terrorist branch officers" for questioning. He said a warrant for her arrest, issued in London, had been handed to Irish authorities.

The Sunday Times of London, quoting unidentified British government sources, said Miss Glenholme was a former Belfast resident who had been traced to a public housing complex in Dundalk, in the Irish republic near the border with Northern Ireland. The newspaper said she was "*one of the IRA's top bombers*" and may have been behind other attacks on the British mainland.

Aide Says Miners to Get Libyan Funds

LONDON (AP) — A fundraiser for the National Union of Mineworkers said in an interview that was to be broadcast Sunday that Britain's striking miners would receive aid from Libya, but the union issued a denial.

The fundraiser, Jack Dunn, asked whether money was coming from Libya, said: "Yes, but we don't know how or how much." Mr. Dunn, in the interview scheduled to be broadcast by Independent Television Network, said, "The cash would pay for food, clothes and shoes for miners' families and to organize the transport of pickets."

After the text of Mr. Dunn's interview was released Saturday, the union issued a statement saying it would stick by the Nov. 1 vote of its executive council not to receive aid from the Libyan government. The miners' president, Arthur Scargill, denied two weeks ago that the union would get money from Libya after it was disclosed that he had met with Libyan representatives in Paris and the union's chief executive Roger Windsor, had traveled to Libya.

Rifaat Assad Gets New Security Post

DAMASCUS (AFP) — Vice President Rifaat al-Assad of Syria, who was reported to be in disgrace earlier this year, has been given responsibility for national security, according to a new presidential decree.

The decree, published Saturday, said that Colonel Assad, the brother of President Hafez al-Assad, had the duty of applying the security policies of the ruling Ba'ath Party and the state, as defined by the *president.*

Colonel Assad has been outside Syria since June 1, when he left on an official visit to the Soviet Union. Since then he has been dividing his time between Switzerland and France. In September, Defense Minister Mustafa Tlas was quoted by the West German newsmagazine Der Spiegel as saying that Mr. Assad was "persona non grata forever" in Syria.

For the Record

Five Romanian diplomats were ordered expelled from West Germany on Friday and will leave "in the next few days," a Foreign Ministry spokesman said Saturday in Bonn. They were accused of activities incompatible with their status. *(AP)*

A Sicilian suspected of organized crime activities, Nicolo Milano, was arrested Saturday in Palermo. Mr. Milano, who had been sought by police since 1979, was accused of ties with some of the dominant Sicilian Mafia groups. According to police, he was named by Tommaso Buscetta, who has confessed to Mafia activities and accused dozens of other people of criminal associations. *(AP)*

U.S. Studies Moves Against Nicaragua

(Continued from Page 1)

tems and other surface-to-air missiles.

■ CIA Workers to Be Punished

David Hoffman of The Washington Post reported from Santa Barbara, California:

Mr. Reagan, accepting the recommendation of the CIA inspector general and the Intelligence Oversight Board, agreed Saturday to discipline several workers at "lower levels" in the agency for "poor *judgment and lapses in oversight*" in the publication of a manual for Nicaraguan rebels on guerrilla techniques.

The White House announced that the CIA workers would be given letters of reprimand or suspensions. A spokesman, Peter Roussel, said he did not know if any would be dismissed.

Mr. Roussel said he would not identify the employees disciplined or provide further information about the extent of the disciplinary actions.

Mr. Roussel said this would be Mr. Reagan's final comment on the *matter.* Last week, at a post-election news conference, Mr. Reagan said the controversy over the manual was "much ado about nothing."

AMERICAN TOPICS

Push on Faulty Arms Comes 25 Years Late

More than 25 years ago the U.S. Defense Department adopted a policy of withholding payments to companies that produced faulty arms or equipment. But only in the past six months has that policy been put into effect.

The Pentagon has rejected jet engines from General Electric because of defective parts, missiles from Hughes Aircraft for "shoddy workmanship," F-18 fighter planes from McDonnell Douglas because of flaws in its tail, to cite just a few.

Asked why the sudden crackdown occurred, a Pentagon spokesman said, "I don't know." But The New York Times says military officers and civilian officials cite three reasons:

- Politics. Secretary of Defense Caspar W. Weinberger wants to show the public that corruption and bad management are being rooted out.
- Public Awareness. The "horror stories" about $7,600 coffee pots and $400 hammers have impressed taxpayers more than the arcane political debate over $300 billion military budgets and $200 billion federal deficits.
- Word From the Top. Since June 1983, when Paul Thayer, then deputy secretary of defense, complained in public that shoddy workmanship increases defense costs an extra 10 to 30 percent, military officers have been more willing to speak up.

Catholic Bishops To Talk Economics

The 290 Roman Catholic bishops in the United States will launch a public campaign this week to make a moral issue of the condition of the poor. A proposed pastoral letter will be presented to the meeting of the National Conference of Catholic Bishops in Washington.

The letter was held back until after last week's U.S. election to avoid assertions of political motivation. Nevertheless, the bishops' efforts are likely to prove as controversial as their stand against nuclear war 18 months ago.

Those in a position to know say the letter will question whether an economic philosophy rooted in individual achievement and a minimal role of government is in tune with the moral teachings of the church. Some Catholic commentators have expressed concern that public support is eroding for programs that help poor people.

The letter already has stirred a reaction among a group of prominent Catholic business executives and academics, headed by former Treasury Secretary William E. Simon. It released its statement last week. The laymen praised the ability of the U.S. economic system to create and spread wealth and cited a religious justification for freedom of choice and the other "institutions of a free economy."

Short Takes

The Detroit suburb of East Detroit voted last week on a proposition to change the name of their town to Erin Heights. Until 1924 the place was called Erin Township. Proponents said a new name would improve the town's civic image and property values by differentiating it from Detroit, which has an "image of slums and crime," said George Lawroski, leader of the re-christening drive. The new name was rejected, 10,145 to 5,563.

□

Reagan joke: Mort Sahl, the comedian currently performing at Charlie's club in Washington, says the president left in the middle of the new film "Country," about a struggling farm family: "When the bank foreclosed he thought that was the happy ending."

□

Mondale joke: Asked who, if anybody, could have defeated President Ronald Reagan in last week's presidential election, Martin Kaplan, chief speech writer for Walter F. Mondale, said without skipping a beat, "Robert Redford. Maybe Walter Cronkite."

□

Notes About People

For the first time, the presidential aide carrying the secret codes that would be needed to launch a nuclear attack is a woman: Lieutenant Commander Vivian Crea of the Coast Guard, who was assigned to the White House last month. When she is with the presidential entourage, Commander Crea wears a uniform and lugs the large briefcase, called the "football," containing the codes.

□

Thomas (Tommy) Burnett easily won re-election to the Tennessee House of Representatives while serving an 18-month prison term for failure to file income tax returns. Mr. Burnett, a Democrat, defeated the Republican candidate, Nesby Lee Pemberton, and won by the same 59-to-41-percent margin that occurred in the Reagan-Mondale contest. The state attorney general is studying whether Mr. Burnett, 42, can take office before his prison term ends in May.

— Compiled by ARTHUR HIGBEE

The Associated Press

A participant at the National Survival Game championship checks his paint gun.

Color Losers 'Dead' in Survival Test

The Associated Press

SUWANEE, Georgia — Clad in fatigues, their faces smeared green, black and brown, the warriors in the National Survival Game championship stalked one another through the pine forest.

The "soldiers" were taking part in the weekend games for a feeling of comradeship and competition, said Steve Ingles, 29, of SDM Adventures, which runs the Survival Game in London, Ontario.

"It's a feeling comparable to nothing I've ever experienced," he said, wiping the sweat and camouflage makeup off his face with an olive-drab shirtsleeve.

In the Survival Game, two 15-warrior teams enter a 25-acre (10 hectares) patch of pine forest with a small stream running through it. Each team then establishes a base camp and hoists its flag.

The object is to capture the enemy's flag and return it to your own base, or, failing that, to "kill" as many of the enemy as possible. The killing is done with orange and yellow paint capsules, fired from pistols powered by carbon dioxide with a maximum range of about 45 yards (41 meters).

If neither side captures the opponent's flag within an hour, the game is decided by the number of casualties on each side. There are many variations in strategy, ranging from sitting on defense around the flag to charging as hard as possible to overwhelm the enemy.

The championship's eight qualifying teams were picked from approximately 18,000 people who play the Survival Game, first begun in 1981.

Workers Challenge 'Cleanliness' of Microelectronics

Illnesses, Health Problems Linked to Exposure to Toxic Gases, Chemicals

By David E. Sanger
New York Times Service

SUNNYVALE, California — From a distance, this area of California known as Silicon Valley is the envy of every community seeking to lure high-technology industry. Its myriad electronics companies, 330 in this small suburb of San Jose alone, employ more than 50,000 workers in what most people consider one of the nation's cleanest industries — no dangerous assembly lines, no belching smokestacks, no rivers turned yellow by pollutants.

But the microelectronics industry, in California and elsewhere, is scrambling to counter allegations that the reputation for cleanliness is a myth.

In a wave of legal actions, workers are charging that they have suffered a range of health problems, some severe and some not, from exposure to the toxic gases and chemicals that are critical to the manufacture of the semiconductors, or microchips, that drive modern computers.

"People think that just because semiconductor workers wear white suits in dust-free rooms, the industry is clean," said Dr. Joseph LaDou, a professor of medicine at the University of California at San Francisco.

Dr. LaDou, who has studied occupational health issues in the electronics industry, added: "It's simply not true. I would not say we have an epidemic, but some of the numbers are shocking."

At a time when occupational hazards have become of increasing concern in many traditional industries, the semiconductor business has been virtually ignored, experts say. In part, they speculate this is because attracting and keeping high-technology companies has become a political and economic issue in many communities.

"Several efforts to set standards about maximum exposures to some toxic materials have mysteriously just stopped dead," said a former high official of California's Occupational Health and Safety Division. He asked not to be named because he now works for a company that does consulting work for the industry.

Industry officials do not dispute that workers regularly handle highly toxic gases, strong acids and potentially dangerous solvents. But most deny allegations that in the high-pressure competition to survive in Silicon Valley, worker safety has been neglected.

But privately, some industry executives concede that they are worried, particularly by figures gathered by California's Division of Labor Statistics.

Based on claims filed for workers' compensation benefits, those statistics suggest that the incidence of work-related illnesses among semiconductor workers is triple the average for all of the state's manufacturing workers. And over the last four years, the illness rate for semiconductor workers has consistently exceeded the rate for workers in the mining, construction, metals or chemicals industries.

For example, of the 75,000 workers' compensation claims filed for injuries and illnesses in 1983 for all of California's manufacturing industries, about 7 percent were for illnesses. But of the 1,100 claims filed by semiconductor workers, almost 25 percent were for illness.

Assessing just what kind of dangers face semiconductor workers, and how serious they are, is difficult. Reports abound of accidents that cause acid burns, poisoning, hair loss, disorientation and lung irritations, but most of the problems seem short-lived.

But there is the case of Judy Washington, a 35-year-old resident of South San Jose, who left Advanced Micro Devices Inc., one of the big Silicon Valley semiconductor manufacturers, three years ago. She, like some other workers, says she now suffers from sudden allergic reactions to chemicals.

She said she began having allergic reactions to many common substances while she was still working at Advanced Micro. She was taken to a medical clinic recently because a highway area she was working in for the state transportation department had recently been sprayed with a herbicide.

"I got a burning feeling in my throat, a rash all over, and I couldn't swallow or breathe," she said.

Some doctors are skeptical about claims of long-term side effects from exposure to toxins. "Based on the cases I have seen, it just does not seem at all likely," said Abba I. Terr, head of the allergy clinic at Stanford Medical School.

But Dr. LaDou, the University of California professor, and others say that because no complete medical studies have been conducted, little is known about the long-term effects of being exposed to toxic materials in "fab areas," the industry's name for the clean rooms where semiconductors are made.

"This industry is just beginning to get to the age where veteran workers would begin to show symptoms," Dr. LaDou said, particularly symptoms of kidney disease and cancer, both of which have been linked to some of the gases used in fab areas.

Reagan Signs a Variety Of Bills, But Vetoes One

By Mary Thornton
Washington Post Service

WASHINGTON — President Ronald Reagan has taken final action on several bills approved at the end of the 98th Congress, signing legislation expanding the Environmental Protection Agency's authority to regulate disposal of hazardous waste and bringing thousands of small businesses under the law for the first time.

Also on Friday, the president vetoed legislation reauthorizing the Equal Access to Justice Act, which permitted the award of attorney's fees to individuals or businesses wrongly sued by the federal government, or that successfully challenged federal regulations.

Mr. Reagan approved 10 other bills, including the largest authorization ever for the Central Intelligence Agency and other intelligence organizations and a measure providing merit-pay increases for federal employees.

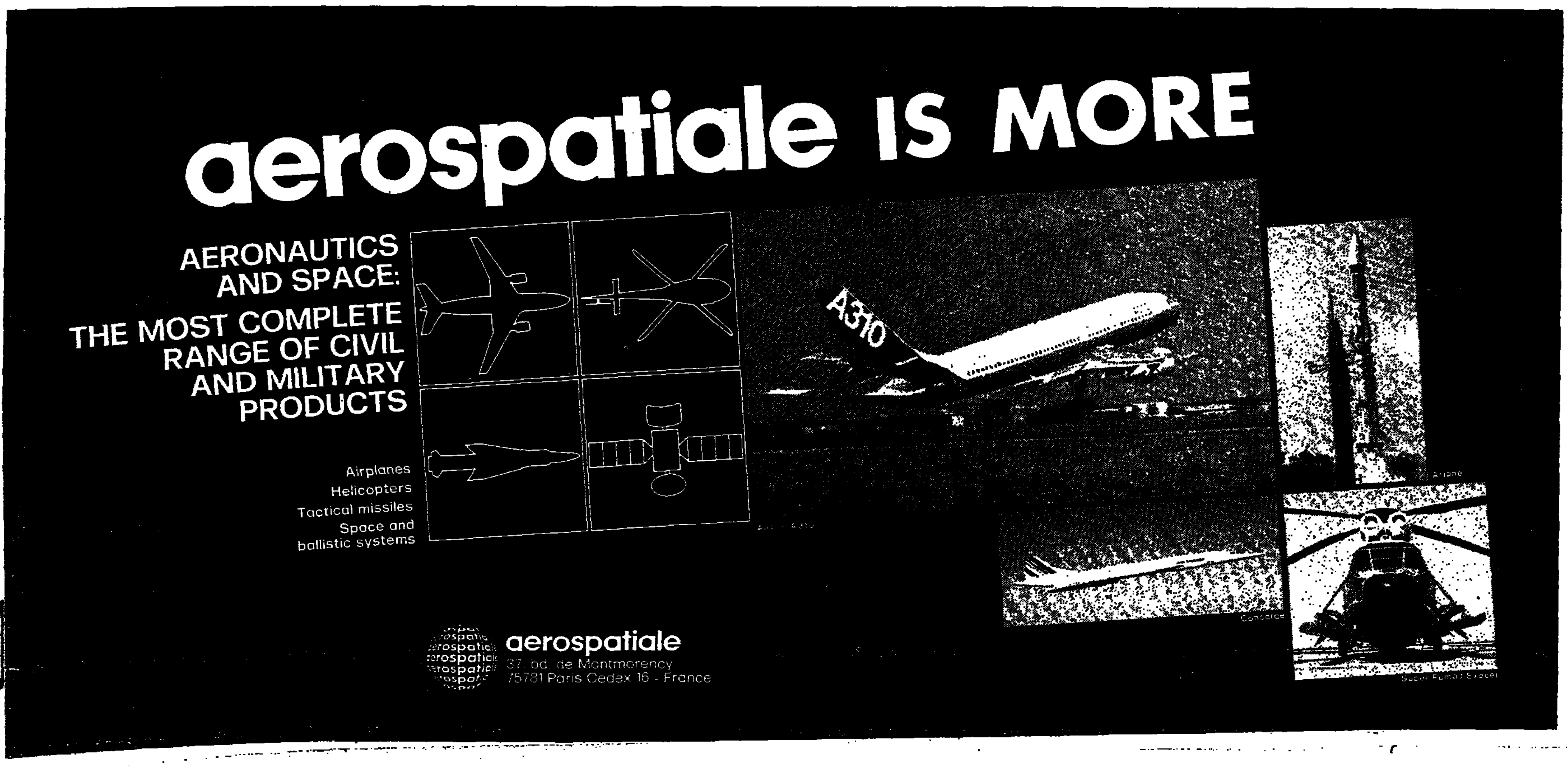
In vetoing the Equal Access to Justice Act, Mr. Reagan said he still was "firmly committed to the policies" of the law, which expired Sept. 30. He said he would make the permanent and retroactive reauthorization of the act a top priority in the 99th Congress, which convenes in January.

Mr. Reagan said he believed the government should pay the expenses of parties proving in court that they have been wronged by federal agencies. But he said Congress went too far in expanding the law.

He also signed legislation long sought by the semiconductor industry to combat unauthorized duplication of microchips. The law creates a form of intellectual property protection for chips used in products ranging from weapons systems to kitchen products.

In signing the largest authorization ever for the CIA and other intelligence agencies, Mr. Reagan insisted on the need to maintain pressure on Nicaragua and made it clear that he plans to ask the new Congress to renew covert aid to anti-Sandinist rebels.

The intelligence authorization bill provides billions of dollars for a range of secret activities carried out by the intelligence community, but its precise amount is classified. It did not contain $28 million that Mr. Reagan requested for the anti-Sandinist guerrillas. Congress provided $24 million in aid to the rebels last year, but refused Mr. Reagan's request for additional support.



Study Says U.S. Space Defense Plan Could Hurt Its NATO Contribution

Reuters

BRUSSELS — President Ronald Reagan's program to seek a space-based defense against nuclear missiles would not protect civilians and could detract from the U.S. contribution to the North Atlantic Treaty Organization, according to a report published Sunday.

A member of Canada's Parliament, Michael Forrestall, submitted the study to the North Atlantic Assembly, an organization of members of the parliaments from 16 NATO nations. The assembly meets this week in Brussels.

"The initial aspiration voiced by President Reagan in his March 1983 speech of 'rendering nuclear weapons impotent and obsolete' and providing total protection of populations has been widely recognized as unrealistic if not impossible," he said.

Mr. Forrestall said the rationale given by senior U.S. officials for the $26-billion research program was no longer to protect civilians but to hedge against Soviet advances in ballistic missile defense and to shield U.S. nuclear weapons against a first strike.

High levels of U.S. expenditure on such costly technology "will inevitably mean relatively less U.S. defense resources committed to NATO," the report said.

In a separate report to the assembly, a West German deputy, Karsten Voigt, said West European governments were unlikely to boost real spending on conventional defense in the next five years despite their desire to lessen NATO's reliance on nuclear defense.

Analyzing the long-range military budgets of the major European allies, Mr. Voigt said real spending increases in Britain, France and West Germany would be eaten up either by nuclear programs, operations outside of NATO or extra personnel costs.

His findings are likely to dismay members of the U.S. Congress who are pressing for Western Europe to carry more of the burden of conventional defense.

Mr. Voigt said that while there was broad support in the alliance for improving conventional forces, there was little consensus on how to accomplish this.

He noted that NATO commanders sought a 7-percent real annual increase in defense spending for 1985-90 and defense ministers had accepted a target goal of 3.2 percent. Mr. Voigt said many European states would find even 1.5 percent hard to fund.

■ Tass Decries NATO Shift

The Soviet press agency Tass Saturday denounced "new militarist projects" by NATO and said plans adopted by NATO's defense council Friday would "accelerate the arms race and growing tension in Europe," Agence France-Presse reported from Moscow.

The NATO measures aim at providing the means to paralyze Warsaw Pact forces behind the front in the event of an attack.

NATO's modified conventional warfare strategy is being promoted by the supreme commander of allied forces in Europe, General Bernard W. Rogers of the United States.

■ French Nuclear Arms Study

The French government has allocated 550 million francs ($60 million) to study ways of protecting its strategic nuclear force from space-based missile defense systems, Defense Minister Charles Hernu said Friday, according to a Reuters report from Paris.

Presenting a 1985 defense budget of 151.5 billion francs ($16.6 billion), Mr. Hernu expressed concern about the effects of eventual space-based systems on world security and on the credibility of France's nuclear deterrent.

The Associated Press

SOVIET DESERTERS GO HOME — Igor Rhykov, 22, left, and Oleg Khlan, 21, who deserted from the Soviet Army in Afghanistan in 1983, were seized by rebels and came to Britain in June, left Sunday for Leningrad after asking the Soviet Embassy to send them home. Lord Bethel, who brought the two to Britain, said Mr. Rhykov had gotten a letter recently from his mother. Lord Bethel accused Moscow of "moral blackmail."

Solidarity Activists Form A New Group to Monitor Polish Abuses of Rights

The Associated Press

WARSAW — A movement by intellectuals and former activists of Solidarity, the outlawed Polish trade union, to form groups to monitor human rights under Poland's Communist government has expanded with the formation of a Krakow group.

Plans for the groups were announced Oct. 31 to protest the killing of the Reverend Jerzy Popieluszko, an outspoken advocate of Solidarity. His body was found Oct. 30, 11 days after he was kidnapped.

In Krakow, a statement signed by 22 people also called for reforms in Poland's legal system.

"Let everyone do everything within his power so that Poland is no longer a place of political murders, beatings, abductions and persecutions for political reasons," said the statement, circulated to Western reporters in Warsaw on Saturday.

The government has charged a secret police captain and two lieutenants with Father Popieluszko's abduction and death. In addition, a general was suspended and two colonels were taken into custody from the Internal Affairs Ministry, the agency that supervises Poland's police.

A human rights monitoring group has been formed in the southwestern city of Wroclaw, and activists in Warsaw are considering forming a third group.

Several activists both in Solidarity and the disbanded workers' rights group KOR spoke in interviews in recent weeks on condition of anonymity. They said the death of Father Popieluszko has galvanized public opinion on the need to curb human rights abuses.

There are no plans to form a national human rights group although it is hoped that regional groups eventually will coordinate their activities, the activists said.

One former senior adviser to Solidarity said privately the government was on the defensive after Father Popieluszko's death. So far the only government response to plans for human rights groups is to criticize them in the news media.

Jerzy Urban, the government spokesman, has asserted that former Solidarity activists were "feeding on the death" of the Roman Catholic priest and that the human rights groups would only be a guise for opposition activities.

The official Communist Party newspaper Trybuna Ludu said Friday that KOR activists were trying to "organize the old structures of the opposition under a new name."

Among those who signed the Krakow document were Mieczyslaw Gil, chairman of Solidarity's Krakow chapter, and Stanislaw Handzlik, a member of the union's underground Temporary Coordinating Commission until his arrest in 1983.

The Krakow group said its activities would include gathering and publishing information on illegal use of force by police and providing legal, medical and financial aid to victims of human rights abuse.

■ Walesa Urges Legal Changes

Lech Walesa, Solidarity's leader, called Friday for the revision of Polish laws that he said specifically allow police to conduct wide-ranging searches, use attack dogs, throw stones and permit the shooting of citizens in 11 listed circumstances, The New York Times reported.

The revisions were urged in a letter to parliamentary leaders. It also was signed by Wladyslaw Frasniuk, the Silesian Solidarity leader, and released Friday to Western media by aides to Mr. Walesa.

The two men wrote that in the aftermath of the killing of Father Popieluszko, laws granting police wide-ranging powers should be brought into conformity with the civil rights protections of the Polish Constitution and international human rights documents ratified by Poland.

The specific laws challenged in the letter are sections of the statute on the Ministry of Internal Affairs.

The two men also called for the revision of article 8, which they said sanctioned the use of attack dogs and the hurling of unspecified projectiles in situations other than self defense. They similarly urged the leaders of the Sejm, Poland's parliament, to recast article 14, which permits the installation of listening devices.

Explaining the Reagan Victory — Soviet-Style

By Seth Mydans
New York Times Service

MOSCOW — Soviet commentators have been trying to explain how Ronald Reagan, the man they have been blaming for most of the world's ills, could be so overwhelmingly re-elected by his own people.

Their answers range from big money to a wave of jingoism to an upturn in the economy to the lack of challenge from the Democrats.

The analyses vary in sophistication, from a report in the government newspaper, Izvestia, that could almost have been written for an American newspaper, to a send-up in Sovietskaya Rossiya, the newspaper of the Soviet Union's dominant Russian republic, that ridiculed the whole exercise.

The Izvestia analysis, signed by Stanislav Kondrashov, a Washington correspondent, quoted unidentified sources as saying that Mr. Reagan rode a wave of good feeling founded on a "new patriotism" and on a cyclical upswing in the economy.

"It is difficult to see how long this artificially fueled optimism will last," the Izvestia correspondent said. "One observer of the American scene with whom I have had the opportunity to meet predicts that Americans will soon have to descend to earth from the cloud of raised hopes, possibly without a parachute."

In foreign affairs, "much hinges on how Reagan will handle his victory," Mr. Kondrashov said.

"It is a fact of American history that Presidents who are picked for a second term begin to worry about their place in history," he continued. "This explains perhaps why Reagan on the day after the elections renewed the theme of peace and the pursuit of an arms accord."

Recalling the Soviet attitude that the overture would have to come from Washington and that Moscow stands ready to respond, Mr. Kondrashov said. "The only question is, will Washington take such steps?"

Pravda, the Communist Party daily, said Mr. Reagan had been confirmed in office by his mastery of television and by a "wave of jingoism."

This analysis, written by Andrei Tolkunov, a Pravda correspondent in Washington, said that party unity had been a major factor in the Republican victory, in contrast to the Democrats' "squabbling" during the primary campaign.

But, Pravda concluded, "if one takes into account the millions of dollars given to the Reagan-Bush campaign by the major monopolies, arms manufacturing and aerospace concerns, things become as clear as day."

Mr. Kondrashov, in his analysis, said:

"The middle class has stopped being the political ally of the disadvantaged and has begun to regard them as dependents and spongers living off their tax dollars. The length of the campaign set a record this year, yet time could not be found for a serious debate on domestic and foreign issues. This, too, testifies to the imprint stamped on the race by the personality of Ronald Reagan, who has been dubbed the "great simplifier."

In this sense, the Soviet analyst said, Mr. Reagan reflects the attitude of the American public, grown weary of the complexities of the world and eager to accept comforting, if misleading, answers.

"The 'new patriot' is ready to applaud the unceremonious seizure of Grenada, yet resigns himself to the withdrawal of the marines from Lebanon as soon as more than 200 of them die at the hands of a terrorist bomb," Mr. Kondrashov said. "He loves to display American military muscle, yet prefers to do so without there being any American victims. He supports peace from a position of American strength, but is against this strength resulting in the threat of a nuclear war."

Medical Prize Assailed for Nazi Link

Award Named for Doctor Tied to Death Camp Atrocities

By Ralph Blumenthal
New York Times Service

NEW YORK — A controversy has erupted over an international prize for liver research because of a disclosure that the award was named for a Vienna physician who has been linked to experiments on prisoners in a Nazi concentration camp.

The $5,000 Eppinger Prize, sponsored by the Falk Foundation of Freiburg, a West German medical foundation, has been given since 1973 in the name of Hans Eppinger, who was a leading liver, heart and stomach specialist in Germany and Vienna. His patients included Queen Marie of Romania, Stalin and Marshal Ivan S. Konev, the Soviet occupation commander in postwar Austria.

The disclosure has provoked dismay among scientists, including a former dean of the Mount Sinai School of Medicine in New York who presented the prize and knew of the Nazi medical experiments.

The disclosure was made by Dr. Howard M. Spiro, professor of internal medicine and gastroenterology at Yale University. He is protesting the existence of the award.

Dr. Eppinger poisoned himself in 1946 when he was summoned to the Nuremberg war crimes trials for questioning about experiments on prisoners at the Dachau concentration camp near Munich. Documents made public in the trials linked him to experiments on humans in efforts to make seawater potable for downed German fliers.

Dr. Herbert Falk, chairman of the foundation and of a pharmaceutical company specializing in liver and gall bladder preparations, said he was not aware of Dr. Eppinger's involvement in Nazi experiments when he established the award. He said he learned of it only last month and was awaiting documentation from the United States.

"If it's true, we will cancel the prize immediately," Dr. Falk said in a telephone interview from Freiburg.

However, Dr. Spiro of Yale questioned how Dr. Eppinger's involvement in the experiments could have escaped notice of the prize-givers, particularly since, Dr. Spiro said, he learned of it as a medical student in Boston at the time of Dr. Eppinger's suicide in 1946.

Dr. Spiro said he had learned of the Eppinger Prize last spring and, after researching the matter, prepared a critical editorial that is to be published in the December issue of the Journal of Clinical Gastroenterology. He also brought the case to the attention of the Simon Wiesenthal Center of Los Angeles, an institute for the study of Nazi crimes, which also has protested the award.

He noted that Dr. Eppinger was partly of Jewish ancestry and that one of his supporters was a former Jewish student of his in Vienna, Dr. Hans Popper. Dr. Popper is now the Gustave L. Levy Distinguished Service Professor at the Mount Sinai School of Medicine of the City University of New York.

Dr. Popper, 80, a noted pathologist and authority on liver diseases, who served as Mount Sinai's first dean, said in an interview that Dr. Eppinger had saved his life in Vienna in 1938 by warning him that the Gestapo was after him, allowing him to escape to the United States.

He also said that Dr. Eppinger had fostered his career in Vienna and made important contributions to science and that he, therefore, had willingly presented the Eppinger Prize since its inception.

Dr. Popper said he knew of the "objectionable experiments" and of Dr. Eppinger's suicide. "It was well-known," he said. But in all the years of the prize, he said, "nobody raised any question of controversy."

He said he sought to make a point at the prize presentations of distancing himself from Dr. Eppinger. "I made it clear I was disapproving of his methods," he said.

Dr. Popper said that Dr. Eppinger had originally practiced in Freiburg and had been promoted to chairman of the department of medicine at the University of Cologne. When Hitler came to power in 1933, Dr. Eppinger was dismissed and moved to Vienna, where he became chief of the university medical clinic, remaining there through the war.

In 1944, Dr. Eppinger and a subordinate directed human experiments at Dachau to test ways of making seawater potable, according to documents entered into evidence at Nuremberg and reproduced in a 1949 book, "Doctors of Infamy," by Alexander Mitscherlich and Fred Mielke.

In some of the tests, subjects were forced to drink seawater treated with a chemical additive called berkatite that earlier results showed caused "dehydration, diarrhea, cramps, hallucinations and, finally, death."

United Press International

Anna Fisher, a crew member of space shuttle Discovery, waiting for the launch of a Canadian communications satellite. A second satellite was deployed later. On Monday an attempt will be made to retrieve two errant satellites.

Western Europe's Ariane Poses Challenge to Shuttle

Reuters

PARIS — Western Europe has stepped up its challenge for a share of the commercial space market by putting two communications satellites into orbit on the same day the U.S. space shuttle Discovery was engaged on a similar mission.

"Competition is extremely fierce," said Michel Vedrenne, a senior executive of Europe's Arianespace consortium, "but with more successes like this we are confident we can compete with the United States in the commercial launching of satellites."

"Our present aim is to capture one-third of the world market by 1987," Mr. Vedrenne said after the launch of the group's Ariane 3 rocket from its base in French Guiana early Saturday.

Spectators watching a live relay at the French National Center for Space Studies in Evry, near Paris, cheered as the rocket launched the first of its two satellites, Spacenet-2, owned by the GTE Spacenet Corp. of McLean, Virginia.

The communications satellite, which was put into orbit 22,400 miles (36,000 kilometers) above the equator, is the second U.S. satellite to be commercially launched by an Ariane rocket.

Arianespace officials say they have six more firm orders for launchings of U.S. satellites through the end of 1987.

The second satellite is owned by the 11-nation European Space Agency, which developed the Ariane family of rockets, and will be leased to the Washington-based International Maritime Satellite Organization.

The $45-million rocket was the second Ariane 3 to be launched. The model can carry 2.5 tons compared to the 1.8 tons hauled by Ariane 1.

Mr. Vedrenne said Arianespace hoped to make further inroads into the market with the launching, scheduled for 1986, of a still more powerful Ariane 4 model that will carry up to 4.2 tons.

Another Arianespace official said Ariane also stood to gain from continued apprehension over the future of the U.S. shuttle Discovery. One of the aims of the shuttle's current mission is the retrieval of two satellites that failed to achieve their correct orbits when they were ejected in February.

W. Germany Studies Move To Curb AIDS

United Press International

BONN — The West German Health Ministry says it is considering legislation calling for prison terms of up to three years for AIDS victims who know they have the disease and continue having sex.

The Ministry for Youth, Family and Health Affairs said Saturday in a report that it was proposing the ban on sexual activity as part of a legislative package aimed at eliminating AIDS, or acquired immune deficiency syndrome.

The statement came amid growing concern in West Germany over the spread of the disease, which breaks down the body's immunity to infection and is believed to be transmitted through sexual contact or through exposure to blood.

The condition, found mainly in homosexuals, intravenous drug users and hemophiliacs, is usually fatal.

Last week, specialists quoted by Der Spiegel, the weekly newsmagazine, predicted that 10,000 West Germans could die of AIDS in the next six years.

Official figures document about 100 AIDS cases in West Germany, a relatively small number compared to the United States, where the disease was first diagnosed three years ago.

More than 6,600 cases have been diagnosed in the United States and more than half the victims have died. The Centers for Disease Control in Atlanta says that as many as 300,000 people in the United States may have been exposed to the virus identified as causing AIDS and that 10 percent may develop the disease.

Virus experts in West Germany said in a statement: "There is no general danger now, but the disease must be taken more seriously than before."

The health ministry's proposal calls for prison terms of up to three years for AIDS sufferers who engage in sexual activities with others knowing that they have the disease. The ministry did not say how such a law could be enforced.

Other proposals call for a ban on blood donations by AIDS sufferers and compulsory weekly examinations for those suspected of having AIDS.

West German Workers Accept 3.2% Pay Raise

Agence France-Presse

BONN — About 2.7 milli[on] West German public service e[m]ployees have accepted a 3.2-perce[nt] pay increase for 1985 instead [of] pressing for shorter working hou[rs]. Similar demands had caused ma[jor] strikes in the automobile and pri[nt]ing industries earlier this year.

Under an agreement Saturd[ay] between the public services a[nd] transport workers union, OTV, a[nd] employers represented by Inte[rior] Minister Friedrich Zimmerma[nn], employees will receive 0.7 perc[ent] more than the 2.5-percent raise [en]visaged by institutes that moni[tor] the economy.

World Concern Over Ethiopian Famine Increases

International Response to Appeals for Food Aid Is Termed 'Very Good'

The Associated Press

ADDIS ABABA, Ethiopia — International concern about Ethiopia's famine victims increased over the weekend while UN Secretary-General Javier Pèrez de Cuéllar continued his tour of the country.

Mr. Pérez de Cuéllar, who said he hoped his five-day visit would focus world attention on Ethiopia's plight, was visibly moved while inspecting a feeding camp for 35,000 famine victims Friday in the northern town of Korem. The United Nations official arrived from New York on Thursday.

It is estimated that as many as six million Ethiopians are facing starvation as a result of several years of drought in the country.

James Ingram, executive director of the UN World Food Program, said in Rome on Friday that international response to appeals for food aid has been "very good indeed." But while 500,000 metric tons (550,000 short tons) of food for Ethiopia will have to be supplied through mid-1985, only 208,000 tons have been pledged so far, he said.

Poul Hartling, the UN High Commissioner for Refugees, appealed Friday for $8.9 million and 14,700 metric tons of food to help feed refugees and returnees in the areas of Africa hurt by the drought.

■ **U.S. Official Gives Report**

Earlier, Philip M. Boffey of The New York Times reported from Washington:

Following a visit to Ethiopia, M. Peter McPherson, the administrator of the Agency for International Development, said Friday that he had "never seen anything like" the famine that is devastating northern Ethiopia.

"I've seen a lot of places around the world," Mr. McPherson said, first as a Peace Corps volunteer 20 years ago in a Peruvian slum built on top of a garbage dump and more recently as foreign aid administrator. "But I've never seen anything like this, just never seen anything like this."

"A lot of places in the world you see kids with big bellies," he added, which, he said, indicates a lack of protein in their diet.

"But you don't see many times, and I've never seen, hundreds of children who were like shrunken little old men with no bellies, almost no flesh. I've never seen it."

Mr. McPherson's account echoed another report from Batie, a small provincial town north of Addis Ababa, which was made public in Washington on Friday by the American Red Cross. "They were dropping dead in the streets of Batie last Friday," said Getachew Araya, secretary-general of the Ethiopian Red Cross Society, who was there. "The corpses were just lying there. The survivors were too weak to bury them."


UPI
M. Peter McPherson

'But I've never seen anything like this, just never seen anything like this.'

Mr. McPherson said that thousands of Ethiopians had died and it was clear that thousands more would die before adequate food reached them.

He estimated that Ethiopia needed a million tons of grain in the next 12 months to feed more than seven million people. He said only a third of that amount had been pledged, including 130,000 tons by the United States.

The most pressing problem, he said, is to eliminate logistical bottlenecks that now make it impossible to move more than 50,000 tons a month through ports and that impede distribution inland.

Mr. McPherson called on donor countries and Ethiopia to hold a conference soon to devise a speedy and reliable distribution system.

He said that "very little concrete" assistance had been provided by the Soviet Union or other Eastern bloc countries despite the fact that Ethiopia's Marxist government is aligned with the Soviet Union.

In answer to questions, Mr. McPherson said he had no "concrete information" about charges that Ethiopia, facing rebellions in several areas of the country, had been distributing and denying food as a political weapon. He said Ethiopian relief officials had promised to distribute food based on need.

He said that "very substantial amounts" of food from donor countries was already going to contested areas where there is fighting, although it was "less clear" how much the Ethiopian government was sending there.

Mr. McPherson warned that the drought was a problem throughout Africa. He said that famine threatened at least six countries — Niger, Mali, Chad, western Sudan, Kenya and Mozambique — and that about 20 African countries were facing serious food difficulties.


The Associated Press
A child suffering from malnutrition in a camp in Sudan.

W. Sahara Showdown Looms at OAU Summit

Reuters

ADDIS ABABA, Ethiopia — The Organization of African Unity's annual summit conference, which is to begin here Monday, is developing into a bitter showdown on the three-year-old Western Sahara dispute.

Morocco has said it will leave the 21-year-old organization if Polisario Front guerrillas fighting Morocco for control of the Western Sahara attend the session.

The Polisario movement is determined to take part. "We will take part. We will be seated. Definitely," asserted Moulud Said, an envoy of the Polisario's Saharan Arab Democratic Republic.

The OAU has been deeply split between Morocco's supporters and backers of the Polisario Front since the Sarahan Republic was admitted to the organization in a still-disputed administrative decision in February 1982.

As heads of state began to arrive for the summit, government officials held informal talks to find a compromise to prevent the session from breaking down, as happened in 1982.

The summit is to discuss Africa's stands on southern Africa, the Western Sahara, Chad, the Middle East and OAU finances. Member states are $30 million in arrears.

But there are few signs that entrenched positions on the Western Sahara were softening, African diplomats said. The opposite appears to have occurred in recent weeks, they added.

Thomas Sankara, radical leader of Bourkina Fasso, the West African state known until this year as Upper Volta, said on arrival Saturday that his country would leave the OAU if the Polisario movement did not take its seat, officials in his delegation said.

President Mobutu Sese Seko of Zaire, one of Morocco's staunchest supporters, said Saturday that Zaire would suspend its membership if the Polisario Front took part, the diplomats said.

Senegal and Egypt are suggesting that the Polisario Front withdraw from the summit if Morocco publicly states it will carry out an OAU peace plan for the Western Sahara within three months, the diplomats said.

This would commit Morocco to direct talks with its guerrilla foes on a cease-fire and a referendum in the territory before the next OAU ministerial meeting in Addis Ababa in February, they said.

The last OAU summit in Addis Ababa in June 1983 exhorted Morocco to carry out the plan by the end of last year, but Morocco has refused direct talks with the guerrillas, saying they are fighting a proxy war on behalf of Algeria.

■ **Recognition for Insurgents**

Foreign Minister Ibrahim Gambari of Nigeria said Sunday that his country had decided to recognize the Saharan Republic, Agence France-Presse reported from Addis Ababa.

He said the participation of the Polisario delegation was "essential to the success of the summit, if not the survival of the OAU."

Arafat Plans PLO Meeting in Jordan Despite Syrian, Rebel Objections

New York Times Service

AMMAN, Jordan — El-Fatah, the largest faction within the Palestine Liberation Organization, has decided to override objections from PLO rivals and hold a much-delayed meeting of the Palestine National Council here later this month, a senior aide to Yasser Arafat, the PLO chairman, said.

The aide said Saturday that Amman had been chosen to end the inertia that he said allowed Syria to continue efforts to control and reshape the PLO. Syria, he said, had been "blocking the door" and trying "to prepare a new PLO."

"We had to stop waiting and letting the Syrians advance," said Khalil Wazir, who uses the codename Abu Jihad and is the deputy commander of the PLO's forces. "They are trying to destroy the PLO politically and militarily.'

[In Tunis, Mr. Arafat said the meeting would take place on Nov. 22, United Press International reported.

[The Palestinian news agency WAFA said Mr. Arafat set the date for the meeting during a speech to PLO officials at the organization's headquarters in the Tunisian capital.]

Fatah quarreled with Damascus last year, when Syria supported Palestinian rebels opposed to Mr. Arafat's leadership. Syria later expelled Mr. Arafat and his followers from the country and from the Syrian-controlled areas of Lebanon, such as the Bekaa, Lebanon's eastern valley, where the rebellion against Mr. Arafat had begun.

The projected meeting in Amman is likely to divide the PLO even further, especially as it appears unlikely that many principal factions other than Fatah will be in attendance.

Four of the Syrian-backed factions — the Fatah rebels, the Popular Front for the Liberation of Palestine-General Command, the Popular Struggle Front, and Saiqa — have made it clear that they will not attend a Palestine National Council unless Mr. Arafat resigns first.

Syria, which is angry with Jordan over Amman's resumption of diplomatic ties with Egypt, has reportedly warned the rebels that anyone attending a Palestine National Council session in the Jordanian capital will not be allowed to return to Damascus.

Four other factions — the Democratic Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine, the Palestine Liberation Front and the Palestinian Communist Party — had said they would attend a Palestine National Council meeting only if it were held in Algeria or South Yemen. However, Mr. Wazir indicated that months of negotiations with leaders of both countries had failed after Syria applied intense pressure on them not to be host to the meeting.

Mr. Wazir said that Fatah, therefore, had felt it had no choice but to call the meeting in Amman because "Syria refused to give an inch."

Fatah, he said, was still negotiating with at least two of the groups and hoped that some of their delegates based in countries other than Syria would attend. Two-thirds of the Palestine National Council's 384 delegates outside the Israeli-occupied West Bank are needed for a quorum.


UPI
Yasser Arafat

Black Rioting Erupts Again in South Africa

Reuters

JOHANNESBURG — Rioting, looting and arson broke out again across South Africa during the weekend.

An 18-year-old black youth was killed Sunday after a black policeman opened fire on a mob attacking his home, a police spokesman said.

The violence, largely in response to South Africa's policies of racial discrimination, has resulted in the deaths of more than 150 people, mostly black and mostly because of police actions, since August.

Unrest erupted again Saturday in townships east and south of Johannesburg and in the Eastern Cape province and continued into the early hours of Sunday.

Around Grahamstown in Eastern Cape province, police repeatedly fired birdshot, rubber bullets and teargas in street battles with crowds of stone-throwing blacks.

In one incident about 200 blacks stormed the house of the black policeman, who shot and fatally wounded the 18-year-old, police said.

Police also reported attacks on black local councillors, who are often singled out by protesters as agents of the white minority government.

The vice mayor of Katlehong township near Johannesburg was shot dead Saturday night in a robbery at his shop, police said.

Two babies were injured by police birdshot and at least 21 men and women were arrested in various clashes Saturday..

Three people were killed in a taxi that collided with an army troop carrier in the Vosloorus township east of Johannesburg.

Officials declined to give further information on possible use of troops to quell unrest during the weekend, although the army has been used to support the police in recent weeks.

Black grievances include increased rents, higher taxes and allegations of inferior education.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

The Scare in Nicaragua

For a brief moment last week, it seemed at least conceivable that the crisis in Central America might be rising toward the global level. The possibility arose that the Russians were taking one of the few specific actions — *shipping advanced fighter aircraft into Nicaragua* — that the Reagan administration and many people who are otherwise its critics have made plain they would regard as an unacceptable threat to American interests. The possibility then arose that the United States would react to this by force.

The week ended with no evidence that MiG-21 fighters were in the particular cargo ship whose passage had aroused concern in Washington. No American military attack came. There was a great amount of smoke — from Managua, cries of alarm and of heightened distrust of a re-elected Ronald Reagan, and from Washington, some military feints and gestures on the Nicaraguan periphery. But there was no fire. The sequence amounted to *another chapter in a continuing war of nerves.*

It is possible that the Sandinists, careful as they insist they are not to give Washington cause for direct intervention, may yet be led by inexperience, emotion or reckless calculation to raise the crisis to the great-power level. That leaves the more relevant question of whether the Russians, who are not inexperienced and who are not ordinarily emotional or reckless, would step over the threshold themselves — and would step over it at a moment when Mr. Reagan's leadership had just been fortified and when otherwise he was testing the chances for diplomatic engagement on matters of major Soviet concern. It could happen, but it would be a great surprise.

Meanwhile, there is the real world, where the threat is not a possible quantum leap to *MiG-21s but the steady buildup of less dramatic arms in Nicaragua over a period of time* — arms of a sort that incontestably were in the cargo *landed at the port of Corinto. Those* arms give Managua a capability to deal better with what it maintains is a large American threat to Nicaraguan interests. They also give it a capability to put pressure on its neighbors, if not now while the Sandinists may be preoccupied domestically, then later when the United States may not be so attentive.

There could be no clearer demonstration of the need for a political solution. The Sandinists doubt the Reagan administration's ultimate readiness to accept coexistence even with a moderate regime in Managua. Many administration officials wonder whether the Sandinists can *relinquish their revolutionary ideology* for a focus on building a society acceptable to different Nicaraguans at home. But the political path for accommodation — within Nicaragua, between Washington and Managua and in the region as a whole — remains open.

— *THE WASHINGTON POST.*

The Democrats' Problem

After so many balloons, so many primaries and so much political opinion, it is easy to forget that the first chance most Americans had to send a message this year did not come until last Tuesday. And they sent two.

First: They like and trust Ronald Reagan — and the Democrats could not do anything about it. The president's 18-point margin over Walter Mondale in the popular vote was *almost exactly the same as his lead in the polls* last January. Is it possible that the whole long, arduous campaign was mere embroidery on the inevitable?

Second: Let the good times roll. Don't change a thing. Republicans and Democrats exchanged slight gains in the House and Senate; Republicans gained only one governorship. If that is a mandate for any philosophy, it is the one called Status Quo.

Once, Democrats were seen as the party to *keep* the country out of recession and the Republicans as the party to keep the country out of war. In a time of peace and prosperity, Ronald Reagan again has eaten the Democrats' lunch.

Remember what commentators said in 1980 when that happened the first time? That the old New Deal coalition was dead. That what *Democrats and moderates such* as the third-party candidate John Anderson desperately needed was "a new liberal agenda."

It is almost embarrassing to look back on that now. The old New Deal coalition, though 50 years old, remains very much alive. Look at the exit poll data on voter blocs and observe the very few among which Walter Mondale *triumphed. He won the black vote, 90 percent* to 9, the unemployed vote, 68-31, the Jewish vote, 66-32, the Hispanic vote, 65-33, that of big-city residents, 62-36, and the union vote, 57-41. Complaining about these pillars of traditional Democratic politics is like the preacher berating the congregants who come to services for the truancy of those who do not. The Democrats' problem is not among the faithful but among the rest.

How much of a new liberal agenda have the Democrats devised in the last four years? Senator Gary Hart endorses new ideas, but as the *man said, where's the beef?*

Walter Mondale's new liberal agenda sounded a lot like the conservatives' old one. "I heard you," he said last summer to people who voted for Ronald Reagan in 1980. "Look at our platform. There are no defense cuts that weaken our security; no business taxes that weaken our economy; no laundry lists that raid our Treasury."

Where were the ideas or issues to appeal to successive generations of voters? As it turns out, young people did not vote for the president any more heavily than the rest of the electorate. But even that shocks Democrats who think theirs is the party of change.

It is not as if the country lacks for issues. Environmental concerns, particularly toxic-waste disposal, alarm many voters, especially younger, better educated ones. Crime has been *a national concern at least since* Barry Goldwater made it one in 1964, but why is it so predominantly a Republican concern when there are good nonpartisan ideas on the table?

Without a new agenda, all the Democrats seem to be saying is, "Just wait for the inevitable slump. Just wait till unemployment starts climbing toward 11 percent again. Then you'll *see we were right, and you'll vote for us again."* Rooting for recession is neither a new idea nor a good one.

— *THE NEW YORK TIMES.*

Deadlines on the Economy

The U.S. economy now seems likely to give President Reagan a grace period in early 1985 to establish policy for his second term. This *will be the administration's opportunity to* deal with all of the fundamental questions that, for the past 18 months, it has evaded in deference to the election. A variety of forecasts — of production and demand, of the financial markets, of currency exchange rates — indicate a fairly low risk of disruptive changes until some time toward the end of 1985. But after that, if present policy remains unchanged, the risk is expected to rise sharply.

The reason is that the American economy is *badly out of balance. For the present, things* are going along pleasantly enough. But there are clear signs of trouble ahead. There is the *administration's gigantic budget deficit,* with the U.S. government now spending five dollars for every four that it raises in taxes. Beyond that, there is the rapidly rising deficit in U.S. accounts with the rest of the world, as Americans buy three dollars' worth of imports for every two dollars' worth of exports that they can sell. That is related to the extraordinary overvaluation of the dollar abroad. The whole structure of present American prosperity is based on an unprecedented *inflow of foreign investment, currently more than $100 billion* a year. That will not last forever.

But it will last long enough to give the president time to seize the initiative — if he wants to. Unfortunately, the prevailing air of *serenity has drained the sense of urgency out* of the discussions about where the economy is headed. Three years ago, when the budget deficit was moving toward $100 billion a year, there was something close to panic in and around the Reagan administration. Now that the figure is hovering just under $200 billion, people yawn and say that it presents many interesting theoretical questions.

It is a reasonable guess that Mr. Reagan has six or eight months in which to assert his *control over the money questions. That has to* begin with a credible — repeat: credible — commitment to reduce the budget deficit, *bringing* down interest rates. With a gradual decline in the dollar's exchange rate, the country's international accounts will improve and eliminate the dependency on foreign investment. Done skillfully, it would permit continued rises in incomes and standards of living.

But if the president lets this period of opportunity pass, the financial markets will eventually begin to resolve the imbalances in their own way, overreacting wildly and destructively, driven by speculative surges. The president *has time to act,* but not a great deal of time.

— *THE WASHINGTON POST.*

FROM OUR NOV. 12 PAGES, 75 AND 50 YEARS AGO

1909: Suffragists Disrupt London Play

LONDON — The suffragists found a new outlet for their hysteria last night, when they spoilt the enjoyment of many people during the second act of "The Mountaineers" at the Savoy Theatre. The reason for their appearance was the presence of Mr. Lloyd-George, who, with characteristic impartiality, had gone to listen to a song which puts the Budget in a lyrical nutshell. Suddenly, three women started *shouting the name of Mr. Lloyd-George.* A banner with "Votes for Women" on it was hung over the balcony. The audience rose to its feet and hissed and booed the interrupters, who were finally led away. Mr. Lloyd-George, in hilarious mood, waved to them as they went.

1934: Controversy Over U.S. Dam

WASHINGTON — Secretary of the Interior Harold L. Ickes voiced the opinion that the government has a right to continue with its construction of the Parker Division Dam across the Colorado River where it separates Arizona from Southern California, despite the action of Arizona Governor B.B. Moeur, in invoking martial law to halt the project. Governor Moeur ordered twenty National Guard machine-gunners and forty infantrymen to the scene with orders "to repel the threatened invasion of the sovereignty of the territory of the State of Arizona." The Governor of Arizona has sent President Roosevelt a telegram explaining his action.

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Some Small Steps Toward Stabler U.S.-Soviet Relations

By Dmitri K. Simes

WASHINGTON — Now that the presidential election is over, Americans can at last return to business and politics as usual. Among the pressing issues at hand, few things are more important than relations with the Soviet Union. What is more, for *the first time since the Soviet invasion* of Afghanistan in December 1979, there are tentative signs of improvement in *U.S.-Soviet relations.*

Washington and Moscow, each for reasons of its own, seem to be interested in a limited accommodation. Momentous obstacles remain, however, and an eagerness to do too much too fast could backfire.

Campaign considerations alone cannot explain the new American emphasis on dialogue with Moscow. White House insiders insist that Mr. Reagan believes that his large-scale military program, a renewed American geopolitical assertiveness and the *nation's new mood of self-confidence* have created an advantageous environment for seeking arrangements with the Kremlin.

The secretary of state, George P. Shultz, and national security adviser, Robert C. McFarlane, are known to feel the same way. The meetings between *Andrei A. Gromyko,* the Soviet foreign minister, and President Reagan and Mr. Shultz went as well as could be expected *in today's climate of superpower hostility.*

Achieving even this success required a number of bureaucratic and policy decisions. For example, the report of the General Advisory Committee on Arms Control and Disarmament, which listed possible (and impossible) Soviet violations, was at first withheld and then played down. The administration, both publicly and privately, made clear to the Russians that mutual restraints on testing of anti-satellite weapons would be considered if *Moscow agreed to* resume talks on strategic and intermediate-range offensive systems.

Recent Soviet public pronouncements and private comments strongly *suggest that the Kremlin continues to* distrust Mr. Reagan and that no relatively minor changes in American rhetoric, or even action, will change this attitude quickly. Yet, Moscow has signaled that it is relatively open to American overtures.

There appear to be four reasons for the cautious Soviet willingness to explore a diplomatic relationship with the United States. First, the Russians tried a posture of uncompromising belligerence for months and it backfired — deployments of American missiles in Europe go on without much opposition.

Beyond that, the septuagenarians *dominating the Politburo are uncomfortable* with a highly volatile situation of unrestricted rivalry. Soviet leaders would prefer to block a renewed arms race that could cost the Soviet Union dearly and tilt the military balance in America's favor.

The Soviet leadership situation — while still uncertain — contributes to greater superpower interaction. Konstantin U. Chernenko is now firmly *enough* in charge to speak for the collective leadership, and the Soviet decision-making process seems to be *functioning more smoothly.* The Chernenko Politburo is hardly in a position to undertake a much-needed fundamental reassessment of Soviet foreign policy. But it seems capable of conducting routine business, including superpower diplomacy.

Finally, and most importantly, the Russians increasingly fear that (to use their terminology) the international correlation of forces is shifting against them. Their instinct is to hang tough but to give priority to protecting their own position rather than expanding geopolitically.

Nevertheless, neither side is ready for a second détente. During a period of domestic difficulties, the Soviet elite needs Mr. Reagan's America as an external enemy. In addition, the anticipation of yet another political succession in the Kremlin discourages ambitious politicians from experimenting with the *bold approaches* needed to reach a major agreement with the United States. In Washing*ton, the naysayers maintain* great influence inside the administration. They will use Mr. Reagan's landslide victory as evidence of a popular mandate for an uncompromising stand against the "evil empire."

The Russians, by their rhetoric and deeds, traditionally help American critics of rapprochement. Even if Moscow is willing to bargain earnestly on arms control and other issues, it will probably persist in actions most Americans find abhorrent. Mr. Shultz may prefer to avoid linking Soviet actions with negotiations, but will the administration be able to *escape doing so amid public outrage* over Kremlin misbehavior?

Thus, too ambitious a pursuit of a comprehensive settlement with the Soviet Union may be counterproductive. Fundamental differences cannot be resolved while the Soviet Union remains a totalitarian, global military empire. And even a more modest compromise may be beyond reach after so much hostility has been accumulated on both sides.

We should instead focus on small but realistic measures that would *make sense in their own right* — not as stepping stones to a grander compact — and that would be supported *by the American public* and would contribute to stability. Ratification of treaties on nuclear threshold testing and peaceful nuclear explosions, urged by Mr. Chernenko, are in both sides' interest and are not terribly controversial in either country. So is Mr. Reagan's suggestion (at Soviet urging) to pursue constraints on anti-satellite weapons and his idea of holding regular, cabinet- and sub-cabinet-level meetings between American and Soviet representatives.

Those inside, and particularly outside, the administration who want more progress are hoping these small steps would contribute to larger-scale undertakings. Much would depend on Soviet willingness and ability to respond. But even if the Russians *continued to dig in their heels, marginal* but genuine diplomatic arrangements would help de-escalate tensions in the superpower rivalry. To neglect such opportunities to build a new rapprochement would risk ending up with nothing. In cooperating with the Russians, it is wise to aim lower in order to hit higher.

The writer, a senior associate at the Carnegie Endowment for International Peace, contributed this comment to The New York Times.

A Different America, And Not a Better One

By Anthony Lewis

BOSTON — It is going to be a different country. The size of President Reagan's victory stunned even those who had anticipated it, but I wonder how many people understand what it may bring by way of *lasting changes in American politics* and law and social conditions.

We Americans are not used to ideological politics. Most Reagan voters were probably motivated less by ideology than by economics, liking for the man, patriotic feelings associated with him. But ideology is what we are going to get.

Jerry Falwell and Jesse Helms and the other forces of the extreme right *are not shrinking violets.* They are going to argue that they played a large part in mobilizing the soldiers *of this victory, and they are going to* demand their share of the spoils. Mr. Falwell was candid and confident on television election night, talking about the growing political role of religious conservatives and saying, "Come 1988 we'll be much stronger."

And Ronald Reagan is an ideological politician himself. He operates from a few strong, simple premises: that big government is bad, that *Communism is behind all the trouble* in the world, and so on. In his first term he did not fit the usual American pattern of presidents moving to the pragmatic center, and there is no reason to think he will in a second.

Moreover, even if Mr. Reagan wanted to challenge his far-right supporters on some big issue, he would be temperamentally unsuited to the task. For a president to do that — for Richard Nixon to push an arms agreement with the Soviet Union, for example — he has to engage himself in the bureaucratic and political warfare of policy-making. Can anyone imagine Ronald Reagan fighting his own anti-arms-control lieutenants on the details of a treaty, or fighting Jesse Helms to get it ratified?

No, we have lived for four years with the business of governing being carried on by shadowy figures behind a president who reigns but seldom rules. An older Reagan is not likely to become more involved.

What is likely is a more aggressive posture abroad, and at home a more radical move back to Social Darwinism: the enrichment of the economically fittest, the end of measures to uplift minorities. Most important, I think, there will be a further falling away from the country's commitment to civil liberties.

Congress will be a brake on the ambitions of the far right. For it was a remarkable aspect of this election that the Democrats held their own in Congress despite the Reagan land*slide, limiting their losses in the* House and gaining two Senate seats.

But at best Congress could be only a brake, not an initiator of policy. In the field of foreign affairs especially, the president has enormous power to act on his own. And that is the more true when an administration is prepared to act, as this one is, with utter contempt for the intention of Congress expressed in law.

Law is an area where an ideological administration can have a profound impact. We have already seen the lawyers in the Reagan administration doing such things as perverting the law in order to deprive hundreds of thousands of helpless disabled persons of their Social Security benefits. Why should we expect a sudden onset of conscience or restraint?

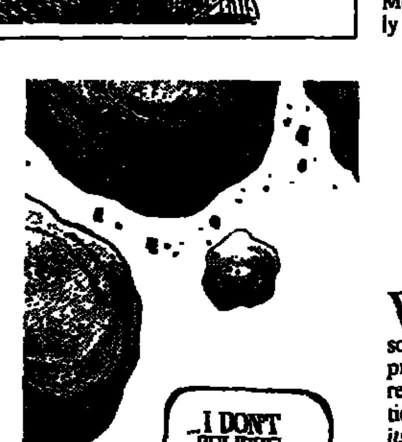
Judicial appointments are a presidency's lasting imprint. Justice William Rehnquist said in a recent speech, quite correctly, that many presidents had failed in efforts to pick like-minded Supreme Court justices. But Edwin Meese, the prospective attorney general, has said that this administration has learned from those past failures and will be certain of its nominees' views. There is every reason to believe that.

Mr. Reagan's popularity is so great that probably no one could have beaten him. But it has to be said that Walter Mondale — kind, thoughtful Walter Mondale — made it worse by the ineptitude of his campaign.

Lane Kirkland and other Democratic powers told us they could win *if only they had an insider as a candidate* instead of an outsider like Jimmy Carter. But you cannot win a campaign without ideas, without hopes: with the aim of patching together a New Deal coalition too small nowadays to win.

The consolation, for those of us who care about civil liberties and social justice and an end to the arms race, is to remember that there are cycles in politics. We elected Harding and Coolidge and Hoover, but we survived the empty greed of the 1920s. The only thing is that survival is trickier now.

The New York Times.



Drawing by Ohman.

The March Rightward: Hardly a One-Man Show

By William Safire

WASHINGTON — Was the Reagan sweep primarily a personal victory of a popular leader in prosperous times, like Eisenhower's re-election in 1956? If so, the opposition has only to hunker down, rebuild *its coalition of women, minorities* and labor, take advantage of foreign mishaps and the certain turn of the business cycle, and choose a telegenic spokesman in 1988 who can win on the slogan "Time for a Change!"

Or was the conservative reaffirmation of 1984 a signal that most of the *Republican Party* philosophy reflects the beliefs of a growing majority — that the Democratic opposition's appeal for social *"fairness"* and *foreign* accommodation was the voice of the fringe, and led to a rejection nearly as thorough as the total defeat of Barry Goldwater in 1964 and George McGovern in 1972?

If so — if the 1984 vote was more against a liberal philosophy than a *thank-you to a successful incumbent* — then America's ideological center of gravity has been shifting significantly. *To win back the majority,* the Democratic opposition would be forced to develop a policy of self-reliance with a human face, to present new and better ways to share opportunity and extend real prosperity without redistributing income.

At such a moment, the chin-pulling *of the political scientists and the* maundering of media mullahs is not without value. Interpretation counts: *If Mr. Reagan won on his personality,* he was given a blank check; if he won on his demonstrated philosophy, he has a mandate to fulfill.

The consensus will be to characterize the Reagan re-election as a great personal triumph, but to argue that the 20 percent ticket-splitting showed that the best hope for the Democrats lay in the natural swing of the pendulum: Next time, a new face with a slam-dunk speechwriter would represent the forces of fairness and nuclear reason and beat a Reaganless right.

That mistaken consensus of liberal savants is what we of the happily flapping right wing are hoping for.

Since 1968, with an interruption only to pay the consequences of Watergate, most Americans have been moving away from welfare and interdependence toward individualism and nationalism. This march has been made easier by the error of the liberals, who still think Mr. Reagan wins because he has persuaded people to see him as Mr. Nice Guy. In fact, he wins because he has demon*strated himself to be Mr. Nice Tough* Guy, representing the middle class's long-buried sense of self-worth and newfound freedom from guilt.

To make more permanent the location of the New Center in the middle of what used to be the right, another few years of old-centrist pandering to *leftist tirades will be helpful.* Political and diplomatic hard-liners can make use of Jesse Jackson and the freezeniks and the demands of the National Organization of Women, for at the end of their Rainbow Coalition is the conservatives' pot of gold.

How will Ronald Reagan capitalize on this victory? Not, I hope, by suddenly turning into what those who tried to defeat him want him to *become. He should not merely accept* tax increases in the guise of tax simplification, but should use the bipar*tisan appeal of the flat tax* and the universal horror of the deficit to reduce the rate of growth of domestic *spending. That is what he was elected* for — to help the people win their race against government.

In dealing with the regular pallbearers of the Kremlin, the re-elected president cannot suddenly become the Great Dealmaker, doing for arms control what Richard Nixon did for the opening to China. By ignoring the clamor to negotiate with himself, by changing only the pace of his rhetoric, he can *mount an offensive* in the Strategic Arms Reduction Talks without giving away the parity he has *struggled for. That, too, is what he* was re-elected to do.

Mr. Reagan's first remarks after *the voters spoke recalled "the prairie* fire" he spoke of starting 20 years ago, "to capture the intensity of our devotion to freedom." *He was right* to reassure the deprived that "the recovery will not be complete until it's complete for everyone," because a philosophy that reveres opportunity has an obligation to spread it around.

But that prairie fire did not whip across the land because of any one man's charm, nor will it be snuffed out when Mr. Reagan rides off into the sunset. He succeeded in his first term because he understood that the majority wants government to protect Americans' freedom while leaving them alone; he will keep the flame burning by remaining true to that.

The New York Times.

U.S. Is Trampling on Friendly Toes in Central America

By Alma Guillermoprieto

WASHINGTON — In attempting to isolate the Sandinist government, the Reagan administration may be falling into a familiar trap. As recent events have demonstrated, the administration has trouble appreciating sensitivities arising from the national interests of its Central American allies.

U.S. pressure on its closest friends and neighbors in Central America to go along with its policy of isolating Nicaragua has led to a series of diplomatic flaps and embarrassments for the administration. White House policy toward Nicaragua has cut across the goals of such allies as Mexico, Guatemala and Honduras.

Illustrating the point is a National Security Council paper prepared for an Oct. 30 meeting of the council at *which President* Reagan presided. The paper credits U.S. foreign policy with success in blocking efforts by Venezuela, Panama, Colombia and Mexico — the members of the Contadora group — to obtain early signing of a proposed regional peace treaty in Central America.

But the paper says problems remain in getting four countries — Guatemala, Honduras, Costa Rica *and El Salvador — to agree on a* position consistent with U.S. policy against Nicaragua, the fifth potential signatory. *It is apparent from the* document that these problems stem from the persistent U.S. failure to recognize the role that national interest plays even in the most pro-American, anti-Communist and economically dependent Latin countries.

Central America is made up of six tiny nations. (Guatemala, the largest, has only 6.5 million people.) So minute are their economies (Costa Rica's gross national product is $3.7 billion) and so excessive their foreign debt (Costa Rica's totals $4.2 billion) that they rarely move without looking over their shoulder to see whether Uncle Sam is scowling or smiling.

When the United States flashes a red light on a regional initiative, the outcome is predictable. Thus, in September, when Central American *countries appeared to have agreed on* the draft of a Contadora peace treaty that all parties would be willing to *sign, the talks came to a screeching* halt after the United States signaled its displeasure.

There has been a failure to recognize the role that national interest plays even in friendly nations.

While the Mexicans fume over the scuttling of their months of patient bargaining to keep the Nicaraguans in the Contadora process (the NSC paper claimed credit for thwarting the Mexican effort), the document notes approvingly that some Contadora ministers "now concede that agreement [on the peace treaty] may not be reached for some months."

Mexico is not the only country affected negatively by the U.S. policy. In Honduras, rumors of coups and countercoups are everywhere, as increasingly large sectors of the military, the established political parties and a group of powerful industrialists rebel against the perceived sell-out of President Roberto Suazo Córdoba to the United States.

Honduras's traditional enemy is the Salvadoran Army, and several high-ranking Honduran officers are known to have refused promotion because it involved serving in the despised military school that Mr. Suazo Córdoba allowed the Pentagon to open in Honduras for Salvadorans.

"First we train them, so they can *come* back and make war on us," said one such Honduran officer, "and then if the [Salvadoran] guerrillas *should win,* we will have bought ourselves a new enemy."

Now the United States appears to *be contributing to tensions between* Guatemala and Honduras as well by ignoring Guatemala's historic role as the pre-eminent voice in the region and promoting Honduras instead.

The Guatemalan response has been to side increasingly with Mexico and Nicaragua, who want to sign a revised draft of the Contadora peace treaty, and not a proposed counterdraft sponsored by the United States.

The administration has undermined Contadora's main claim to legitimacy: that it is a peace initiative sponsored by Latin Americans who have only the interests of other Latin Americans in mind. And the administration has placed itself across the fence from one of its closest and influential allies, Mexico.

Mexico, as one of the largest and wealthiest nations in the hemisphere, *tends to pursue a foreign policy that* has the interests of Mexico, and not the United States, in mind.

For Mexico, as for Panama, the idea of a regional war involving Nicaragua and the guerrillas of El Salvador and Guatemala *against* the rest of the area, with the United States using Honduras and Panama as staging areas, is intolerable. The only acceptable solution is to work out a treaty to guarantee peaceful coexistence.

The United States *might disagree* with these positions, but the wording of the National Security Council paper *reveals how sharply battle lines* have been drawn. "Mexican and Nicaraguan representatives have been *highly active but so far unsuccessful* in efforts to obtain international endorsement," for the original revised *Contadora peace treaty, the document* says. Mr. Shultz "was direct in expressing our displeaure at Mexican conduct" at the United Nations General Assembly, it adds.

These circumstances point to three unsettling conclusions: First, that any negotiations for peace in Central America that do not rely heavily on U.S. backing have virtually no hope of success. Second, that as long as the *administration pursues a policy of* isolating Nicaragua, diplomatic strategies designed to reincorporate Nicaragua into the Central American community cannot rely on genuine U.S. support.

The third point is that the administration will have difficulty implementing a workable regional strategy for its friends and allies in Latin America as long as it expects them to *adopt the United States's national* interests as their own.

The writer, a Washington Post reporter on leave, has reported from Central America.

LETTERS

Responding to Reston

Regarding "The Press and Other Losers" (Nov. 6) by James Reston:

Mr. Reston concludes his brilliant and bitter column by saying that the American people will get the government they deserve. But how about the rest of mankind, whose very survival, like that of the American people, will depend on that old man in the White House, a man who by rights should now be entering his ninth year of retirement, enjoying his game of golf and perhaps even reading a good book or two?

CLAUDE W. PICARD.
Bern.

(Continued on Page 8.)

Prime Minister Rajiv Gandhi, seated, offered prayers before an urn containing the ashes of his assassinated mother, Indira Gandhi, at an air base near New Delhi on Sunday shortly before scattering them over the Himalayas from a plane.

United Press International

Gandhi Rival Says He Will Continue Opposition

By Pranay Gupte
New York Times Service

HYDERABAD, India — The chief minister of Andhra Pradesh State has said that, while he mourns the passing of his principal political enemy, Prime Minister Indira Gandhi, his opposition to her Congress (I) Party will continue.

The chief minister, N.T. Rama Rao, who was removed from office in mid-August and reinstated a month later in maneuvering attributed to Mrs. Gandhi's government, said last week that he was worried about the kind of leadership that her son and successor, Rajiv Gandhi, would provide.

"At least with her we knew where things stood politically, what the political score was," Mr. Rama Rao said. "We knew her methods, but now it's once more a new game. In our Indian tradition we do not speak ill of the soul that has passed away; we take into account only that soul's goodness. But we do wonder now to what extent there will be change under her successor."

He continued: "But my policies will remain the same, my opposition to the Gandhi Congress Party will continue."

Although Mrs. Gandhi denied that she ordered Mr. Rama Rao's removal by the governor of Andhra Pradesh, whom she had nominated, the general view in India was that her Congress Party had moved clumsily to usurp a democratically elected opposition government and replace it with one more sympathetic to Mrs. Gandhi.

Mr. Rama Rao is leading a movement of politicians and intellectuals who contend that encouraging ethnic regionalism, far from fragmenting this country of 750 million, could help India become the genuine federated union that the architects of the Indian constitution had in mind when India gained independence from Britain more than three decades ago.

Mr. Rama Rao, 66, heads the Telugu Desam Party in this largely agricultural state of 60 million people.

He said that with the death of Mrs. Gandhi there was a better chance that India's states could more successfully assert their regional, ethnic and linguistic identities.

"The states must be given full autonomy," he said.

He rejected the argument that promoting regionalism in a multiracial, multilingual country such as India could harm national unity.

"If you let the limbs of a body get strong," Mr. Rama Rao said, "then the whole body automatically gets strong. I say, let the limbs get strong. You will have a healthier India as a result."

■ Ashes Are Scattered

Rajiv Gandhi scattered the ashes of his mother over the Himalayas on Sunday, Reuters reported from New Delhi.

He dropped 15 baskets and three copper urns containing Mrs. Gandhi's remains from a transport aircraft in the final ceremony of 12 days of official mourning.

■ Canadian Is Held

United Press International reported from Amritsar that Punjab security forces had arrested a Canadian reporter on charges of visiting the Sikh holy city of Amritsar without required travel documents.

Jonathan Mann, who reports for the Canadian Broadcasting Corp., the Toronto Globe and Mail and the U.S. television network NBC, was arrested Saturday near the Golden Temple, police said.

Thai General Presses Prime Minister

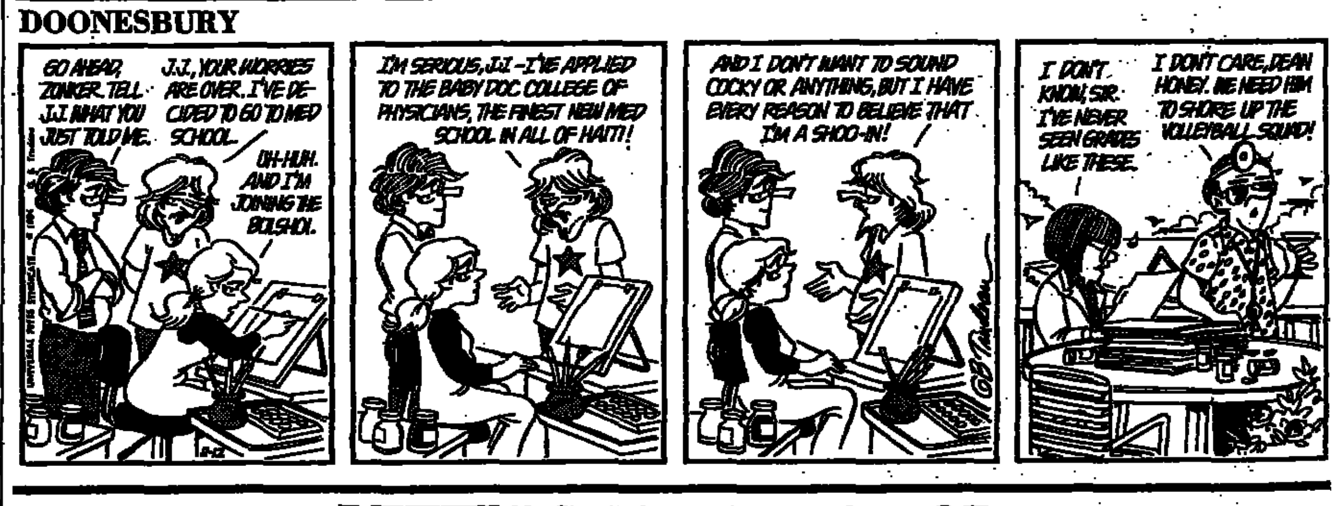
Agence France-Presse

BANGKOK — The supreme commander of Thailand's armed forces, General Arthit Kamlang-Ek, has indicated he still wants Prime Minister Prem Tinsulanonda to reshuffle his cabinet and cancel a currency devaluation opposed by the military.

"We soldiers do not change our minds easily," General Arthit said Saturday. It was his first public comment since going on television Wednesday to attack the 14.8-percent devaluation against the U.S. dollar and to demand a cabinet reshuffle.

In the meantime, Mr. Prem defended the devaluation, which was intended to spur exports. But he made an attempt at compromise by having Finance Minister Sommai Hoontrakul announce readjustments in the national budget to compensate for resulting losses to "national security and defense projects."

DOONESBURY



LETTERS TO THE EDITOR

(Continued from Page 6)

More on Ethiopian Jews

Simcha Jacobovici charged in a scathing column (*"Ethiopian Jews Are Dying: Why Doesn't Israel Help," Sept. 18*) that Israel and the world Jewish community are watching in silence while Ethiopian Jews die. In a response (*Letters, Oct. 5*), Bennet Yanowitz does not answer a single charge leveled by Mr. Jacobovici. Instead, Mr. Yanowitz, a former chairman of the National Jewish Community Relations Advisory Council, claims that Mr. Jacobovici "rips at himself" because of the Holocaust. Well, Mr. Yanowitz, should we not all be ripping ourselves apart if what Mr. Jacobovici says is true?

Although I agree with Mr. Yanowitz that Israel must be commended for the numbers of Ethiopian Jews it has saved, the point, rather, is how many could have been saved and were not. Mr. Jacobovici charges that in June an Israeli official turned down an offer from an Ethiopian envoy to discuss the evacuation of Jews. Mr. Yanowitz ignores this shocking revelation, and others.

Mr. Yanowitz concludes by stating that "we should strive to enlist aid for the starving." Yet Mr. Jacobovici specifically states that while 1,300 Jews died out of a refugee population of 12,300, "all major Jewish organizations ... chose not to provide financial, medical or food aid" to the Jewish refugees.

BARRY WEINRIB.
President, Canadian Association for Ethiopian Jews.
Toronto.

Violence in India

The recent outbreak of anti-Sikh riots in India is disturbingly reminiscent of the violent *Kristallnacht* that took place in Germany 46 years ago this month. Then, it was the assassination of a minor German diplomat, Ernst von Rath, by a Jewish teen-ager (whose parents had been expelled from Germany) that served as the pretext for wild mob violence directed against Jews throughout Germany.

To be sure, there is a basic difference between the ethnic strife in India today and the officially supported racial hatred of Nazi Germany. The new Indian prime minister, Rajiv Gandhi, has indeed spoken out against the violence and appealed for calm. Nevertheless, the atrocities committed against the Sikh community, frightening in their brutality, will never "avenge" the death of Indira Gandhi, they will merely bring shame upon the Hindu nation.

MARK KRAMER.
Oxford, England.

Regarding the report "Police Role Questioned in Anti-Sikh Violence" (Nov. 5) by Barbara Crossette:

The Hindu massacre of Sikhs following the assassination of Indira Gandhi, even if it was by Sikh members of her bodyguard, remains incomprehensible, and the hypotheses about its possible authors do not fit the case. Members of Mrs. Gandhi's own party would not want to jeopardize the windfall of sympathy her death had brought them, and radical Hindus — who never forgave her out-of-caste marriage and her lack of religious zeal — could hardly have felt any spontaneous urge to be her avengers.

There have been other instances of Sikh killings by Hindu fanatics; in each case, the vast majority of the members of both communities disapproved. But this seems to be a vendetta dressed up as that of the entire Hindu community against the Sikhs. If the veritable authors of these riots are not sought out and disarmed, there is no knowing what may happen.

JASMER SINGH.
Boulogne, France.

More than Memorials

Regarding "El Alamein: Survivors Gather at Lonely Site of '42 Desert Battle" (Oct. 27):

One wonders if presenting war with the face of heroic monuments, manicured cemeteries, clean-shaven field marshals and stories of self-effacing Italian counts does not have an encouraging effect: Society seems to approve of war this way. Is there not a way for the responsible press to be blunt and crude and to make people see the waste and ugliness of rotting corpses rather than the polished marble of memorials?

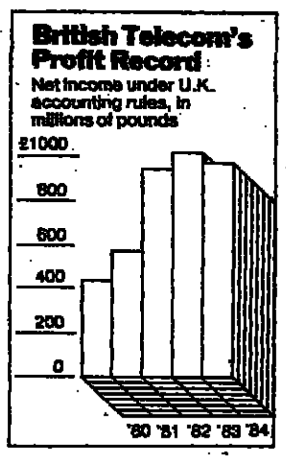
B.J. PENNINK.
Tokyo.

A Monthly Report for the International Investor — International Herald Tribune — Monday, November 12, 1984

PERSONAL INVESTING

INVESTOR'S Notebook

U.K. Dangling Carrot To Boost Telecom Sale



The British government is dangling a carrot, and investors are expected to lunge for it this month when 50.2 percent of state-owned British Telecom goes on sale for around £3.75 billion ($4.7 billion).

"There's no doubt in my mind that the issue is going to go well," says Trevor Pullen, a senior fund manager at Prudential Assurance. Brokers are even more confident: "Barring World War III or something of the sort, BT should prove a spectacular success," says John Tysoe of Grieveson, Grant & Co.

Worried about how the market would digest the giant issue and eager to spread share ownership to the masses, the government has loaded on the incentives. "They can't afford to see it go wrong," said Edward Dove, an investment manager at Lazard Securities Ltd.

Investors will pay 40 percent of the price initially, 30 percent next June and 30 percent in April 1986. The government also is giving small investors the choice of big discounts on their phone bills or a free share for every 10 held for three years.

The price is due to be set Friday, but the government's advisers already have indicated that it will be 120 to 130 pence ($1.52 to $1.65) a share, providing a dividend yield of about 7.5 percent and a multiple of about nine times current-year earnings. That compares with multiples of seven to eight for the regional phone companies in the United States, but British analysts note that BT will be more loosely regulated.

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Coin Prices Showing Modest Gains Again

Investing in coins is no longer as lucrative as it was five years ago. But after a decline last year, the coin market now looks set for fairly stable long-term growth. "The coin market enjoyed a tremendous boom at the end of the '70s and up to 1980, but by the end of 1982, it started to go down," and hit bottom at end of last year, said John Mussell, editor of Coin and Medal News.

Coin prices are now at a level 24 percent lower than they were in 1981, although they are still higher than 1979, he said. Investors have turned away and the coin market is now dominated by collectors, with inflation down to single digits and coin prices rising slowly.

"Coins don't always go up," reminds Raymond Sancroft-Baker, director of the coin department at Christie's. After price rises averaging 20 percent a year from 1979 to 1981, increases are now running about 10 percent annually, he said.

A number of coins are still viewed as sure winners. Among these are Greek and Roman coins dating from the first century B.C. to the 4th century A.D. Christie's recently held an auction of ancient coins that sold for a total of £1.25 million ($100 million), double the British record.

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U.S. Rates on CDs Take a Steep Slide

Investors who have put their cash into certificates of deposit issued by U.S. banks and thrift institutions are in for a jolt if they renew those CDs. Along with other market-linked rates, interest rates on CDs have plunged in recent weeks and took a particularly steep slide last week.

The Bank Rate Monitor, a Miami publication that tracks U.S. deposit rates, reports that interest on a typical six-month CD has fallen about two-thirds of a percentage point in the last three week, to about 10.28 percent. Last week alone, the six-month rate fell 27 basis points. (A basis point is one hundredth of a percentage point.)

Robert Heady, publisher of The Bank Rate Monitor, said the fall has been the steepest he has seen since his publication began following these rates two years ago. "The deep cuts are now across the board," he noted. "The downward movement on 2½-year and 5-year CDs has now caught up with the sharp decline in six-month and one-year prices."

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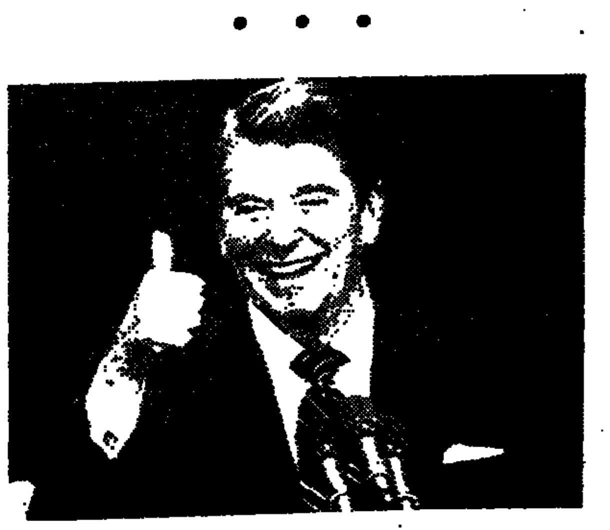


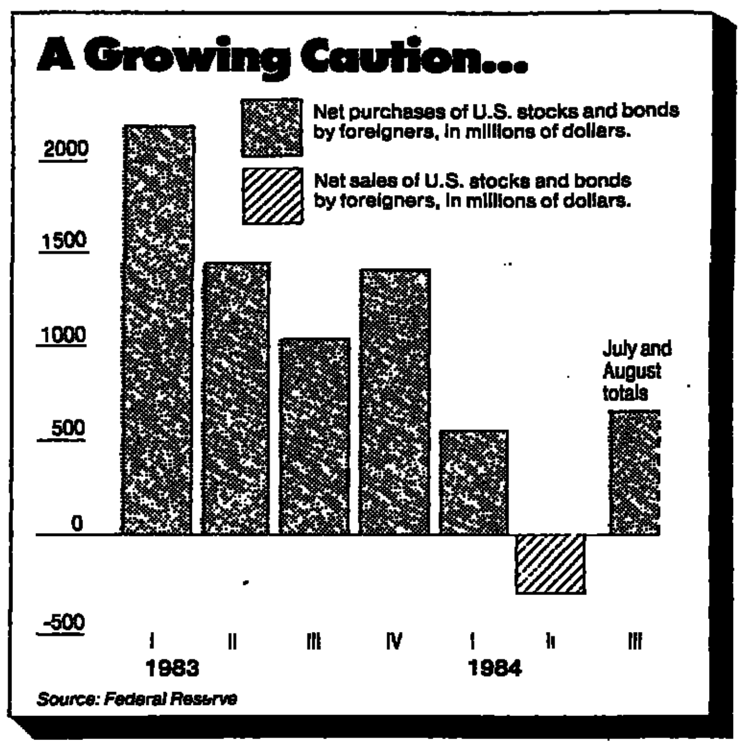
Back to Economics

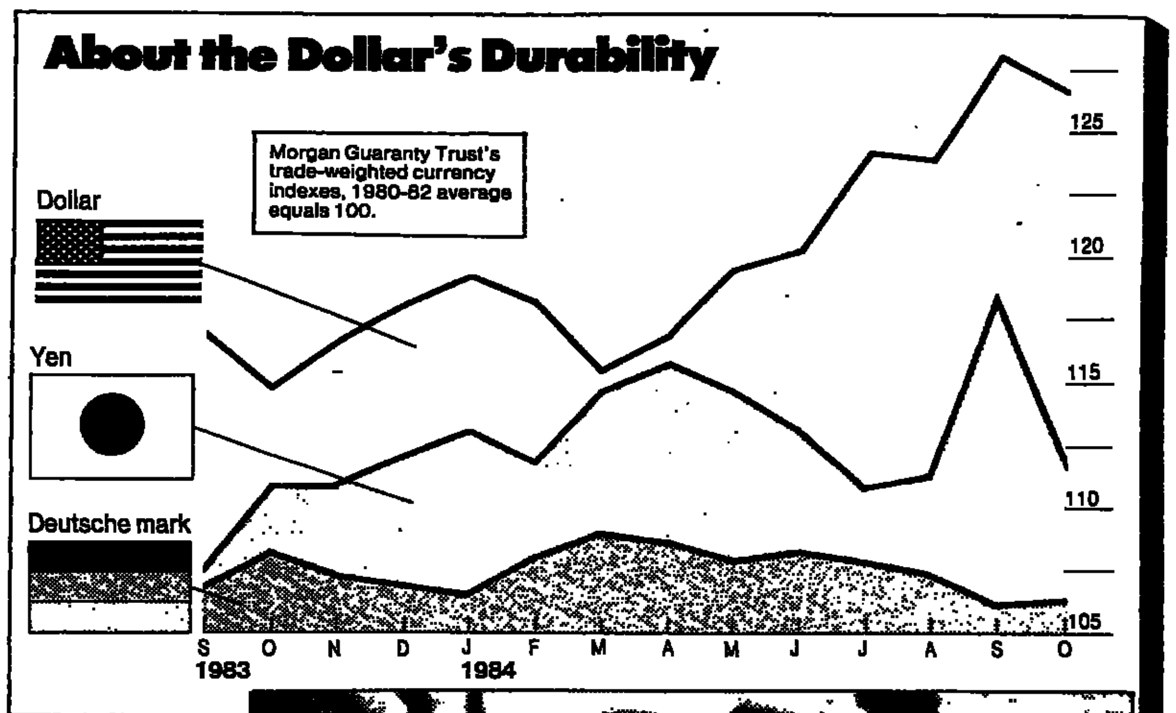
The re-election victory by Ronald Reagan may have been stunning enough to stir Wall Street for awhile, but analysts are not looking for any long-term election euphoria for the stock market. The market had generally discounted the Reagan victory by the time Election Day rolled around and gains that came on Wednesday in response to the election were taken back by profit-taking on Thursday.

John L. Manley, portfolio strategist at Smith Barney Harris Upham & Co. saw the election as a "breaking point" and thinks the market will now turn away from election concerns and focus on more immediate worries. "In the short term it's not politics but economics which will affect the market," he said

Indeed, with the election out of the way, stock market watchers are looking to the U.S. Federal Reserve to loosen its monetary policies to accommodate the economy's slowdown. If the Fed takes a softer stance, in the next three to six months, Mr. Manley sees the Dow Jones Industrial average hitting 1,300 to 1,350. Looking beyond the short term, however, the distinction between economics and politics becomes cloudy. And Mr. Manley sees the same old nagging questions about the federal deficit once again surfacing.

Coming to Terms With Dollar Risk





With anxiety about the dollar's high-wire act building again, investors are intensifying a search for safety nets

By John Meehan

NIGEL Hurst-Brown took a hard look at the dollar last month and did not like what he saw. Economic growth in the United States was slowing, interest rates appeared to have peaked and the Bundesbank was stiffening its resistance to the U.S. currency's rise.

"The downside risk of holding dollar-denominated securities just seemed greater than the upside potential," recalled Mr. Hurst-Brown, a director at London-based Hill Samuel Investment Management Ltd. "The dollar seemed to have reached a plateau."

Other directors at the international fund management firm came to the same conclusion. In October the company lowered its considerable dollar exposure in the equity and bond funds it controls. As an indication of the magnitude of the change, Mr. Hurst-Brown said he slashed the dollar holdings in a typical international bond fund to 45 percent from 60 percent, shifting more assets into European investments.

For now, Mr. Hurst-Brown is comfortable but admits to some nagging doubts about the direction of the U.S. currency. "I'm not totally convinced that we've seen the final demise of the dollar yet," he said.

Mr. Hurst-Brown is not alone in his ambivalence. A growing number of investors around the globe are exhibiting uneasiness about the dollar, fearing that the currency's ascent only sets the stage for a costly tumble, if not outright collapse. Not surprisingly, each record step or periodic decline the dollar takes adds to the anxiety, driving more and more investors to seek opportunities to hedge against a drop in the dollar.

Admittedly, alternatives are few, but a number of experts have identified some possibilities. These range from high yielding dollar instruments that could offset losses from currency translations to a handful of fixed-income instruments and equities in Europe and Japan that will get the most benefit from a weaker U.S. currency.

Predicting the dollar's turning point would be the easiest way for investors to minimize currency risk, but only fools rush in where even economists are becoming fearful to tread. The dollar has appreciated about 50 percent since 1980 and its sharp rise has often confounded seasoned dollar watchers.

A lot of ingredients go into making a strong dollar. Real, or inflation-adjusted, interest rates in the United States are so high relative to those in other countries that the yields on dollar investments are irresistible. Moreover, investor confidence in the United States is very high. Strong economic growth, low inflation and political stability in the United States translate into high returns generally not found elsewhere.

All these factors have created a huge demand for dollars. But the interrelationships between economic fundamentals and such imponderables as investor sentiment have made a nightmare of forecasting its downturn.

Stephen Marris, an economist at the Washington-based Institute of International Economics, has all but given up on using traditional methods to predict the dollar's direction. As former chief economist at the Organization for Economic Cooperation and Development, he has watched the dollar repeatedly defy the experts.

"In the end, it may take some kind of noneconomic development like an assassination or foreign-policy mishap," he said. One thing is for certain, according to Mr. Marris, "the potential for a sharp downward movement in the dollar is greater than it's ever been."

MOST dollar watchers agree that a drop in the dollar is long overdue. They sense that slower U.S. economic growth, prospects of weaker interest rates and indications that the dollar is becoming sensitive to central-bank intervention may finally be catching up with the dollar.

In a survey of 161 European money managers, Salomon Bothers found that an large majority expect the dollar to weaken between now and the end of the first quarter of 1985: 81 percent expect the dollar to decline against the Japanese yen, 70 percent see it falling against the Deutsche mark and Swiss franc and 78 percent believe it will slip against the Dutch guilder.

More important, the growing belief that the dollar's upside potential is nothing like the downside risk is already influencing investors. In the first half of this year, net purchases of American securities by foreigners totaled only $583 million, compared with $6.4 billion of purchases for all of last year. While the decline is ascribed to several factors, including bearish stock and bond markets in the first six months, most analysts say the slowdown is the clearest indication yet that investor sentiment may be turning against the dollar.

So far the slowdown in portfolio investment has been offset by other capital inflows, notably by huge borrowings by U.S. banks and corporations. "It's sort of a substitution process," observed Mi-

(Continued on Page 12, Col. 1)

AP Wideworld

Foreign-exchange traders at Citibank in London.

THE BOURSES

European Technology: Five Ways to Play It

By Beth Karlin

AT A TIME when American investors' love affair with high-technology stocks is fading, enthusiasm among European investors has never been higher.

Europeans have a number of homegrown issues from which to choose. There are plenty of success stories in the likes of Nixdorf, Norsk Data, ICL, Philips and Olivetti. But shares of these growth names often trade at huge multiples of their earnings. And investors who try to go beyond these big names in a search for smaller, more dynamic technology plays quickly run out of candidates.

Yet, European-based analysts are quick to dispel the notion that all the promising growth companies in technology are hatched in Silicon Valley. Many of the vibrant young companies that started out on Britain's Unlisted Securities Markets or were brought to market in a wave of new issues in West Germany are developing into promising enterprises for the investor who can handle the risk.

Markets in Scandinavia, long a formidable region for technology, have developed a vigorous second tier of growth companies that often trade at attractive prices.

One example in West Germany is Electronic 2000, which was placed on the second-tier market of the Munich Stock Exchange in 1982 and moved to the main market this year. The shares of the distributor of electronic parts were trading at 520 Deutsche marks ($173) on Oct. 31, down from a high of 600 DM recently but still far above this year's low of 303 DM. The decline has been attributed to fears that overcapacity in the semiconductor industry will lead to price pressures and eventually to reduced earnings for distributors such as Electronic 2000.

But those pressures are likely to be short term, according to Frode Hendricks, an analyst with Sal. Oppenheim Jr. & Cie. in Cologne. "This could be a good opportunity to buy," says Mr. Hendricks. "Long term, Electronic 200 is going to be a successful growth company."

Industry analysts predict that the West German electronic components market, valued at about 6 billion DM in 1984, will grow about 30 percent a year.

Oppenheim expects Electronic 2000's sales to increase to 100 million DM this year from 63 million DM last year. Next year, sales are likely to top 125 million DM. After-tax profits per share will double to more than 30 DM in 1984 and then rise to about 40 DM next year, the firm says.

Investors take note. Not all young growth stocks are hatched in Silicon Valley or Japan

In Britain, Micro Focus Group also moved from the Unlisted Securities Market to the London Stock Exchange this year. In the 30 weeks ended July 4, sales more than doubled to £8.06 million ($10.3 million) from £3.6 million for the 26-week period ended May 31 last year. (The company changed its fiscal year.)

Pretax profit, meanwhile, doubled to £1.51 million from £747,000. London analysts predict that Micro Focus, which specializes in software tools

(Continued on Page 13, Col. 4)

Next Month

Next month's Personal Investing, to be published Dec. 10, will take a look at key collectibles markets and how they are expected to perform in 1985. Also:

- *A report on the luxury apartment market in Paris and how it is changing.*
- *Some top analysts list their choices in major stock markets for next year.*
- *A look at offshore currency funds.*

Personal Investing, prepared by the editors of the International Herald Tribune for the individual investor, appears on the second Monday of each month. Readers are urged to make appropriate inquiries before committing funds to any investment.

In Currency Options, Only the Nimble Survive

A few adventurous investors are testing their skills in this fast-moving market

By Barbara Rosen

MARTIN Hutchinson, an investment banker in London, is always looking for "odd markets" and "special investments" for his personal portfolio of about £33,000. This strategy has already led him into Spanish stocks and lately he has been looking into South Korean markets. Mostly recently, he put about 15 percent of his portfolio in currency options.

As brokers love to say, options offer the investors' ideal: unlimited potential profit with quantifiable risk. As with any option, investors in currency options buy the right, but not the obligation, to buy (call) or sell (put) specified amounts of a foreign currency at a specified price (called the striking price) within a set time period. A call is a bet that the currency will rise; a put is a bet that it will fall.

If you predict the currency's movement correctly, your potential profit could be huge. If you are wrong, the option, at worst, simply expires worthless and you lose the premium — the price you paid to purchase the option — and, of course, the broker's commissions.

Mr. Hutchinson, who says he doesn't like to have more than 20 percent of his portfolio tied up in any kind of options, began buying currency options about a month ago, "when I decided that the U.S. dollar was far too high," he says. Since then, he has invested about $5,000 in 11 call contracts giving him the right to buy Deutsche marks, British pounds, and Japanese yen.

The underlying concept of options has yet to become popular among individuals outside the United States. The Philadelphia Stock Exchange, the biggest organized market for trading currency options, estimates that individuals account for about 15 percent of the trading, and less than half of those are outside the United States, mostly in Europe and the Middle East.

Options contacts on the pound, yen, Deutsche mark, Swiss franc and Canadian dollar, all matched against the U.S. dollar, are traded on the Philadelphia Exchange.

In addition, the European Options Exchange in Amsterdam offers trading in dollar-guilder, dollar-pound and dollar-mark contracts, linked with exchanges in Montreal, Sydney and Vancouver, British Columbia. Options on currency futures are traded on the Chicago Mercantile Exchange, something the London International Financial Futures Exchange is also said to be considering.

Most of the currency options business done in London is institutional, but several brokers offer individuals trading in exchange-quoted options. One or two, like Rudolf Wolff Financial Services Ltd., also offer morning trading in options standardized to the Philadelphia exchange, before the U.S. market opens.

More sophisticated investors may try various options strategies such as straddling or spreading and may decide to try writing, or offering, options themselves. But for the most part, brokers say, individuals in currency options have so far stuck with the basics of puts and calls.

The typical individual options player is a speculator, brokers say, though the more sophisticated investor may be trying to hedge a portfolio. Other hedgers often include people whose income is in foreign currency, who buy options to try to lock in a particular exchange rate for their anticipated checks.

"I'm not hedging my position," says Mr. Hutchinson. "I suppose I'm a speculator, although I'm not quite sure I like that word."

LIKE MOST individuals playing this market, Mr. Hutchinson says he probably would not exercise his currency options, but instead will sell them at the right time to take his profit or limit his losses. The price he will get, like the price he paid, is determined by two factors: the option's "intrinsic value," or, the extent to which it would currently be profitable to exercise, and its "time value," how much buyers are willing to pay above any intrinsic value in the hope that the option will become more valuable before it expires.

Quoted currency options are traded on three-, six- and nine-month cycles. When an option is introduced into the market, a contract is usually offered with a striking price at the currency's current spot rate, along with two other contracts, one each above and below spot at specified intervals. As spot prices fluctuate, additional options may be offered with the same expiration date but with different striking prices.

Mr. Hutchinson believes in sticking to options of longer maturity. "If you're right, you've got to give yourself time to be right," he says. He also has tended to buy currency options that are somewhat, but not vastly, "out of the money" — in other words, contracts that, at the purchase time, show no intrinsic value. When buying out-of-the-money, the striking price of a call option is above the current spot rate for the underlying currency, while that for a put is below the spot rate.

Your tolerance for risk and your currency outlook should help determine whether to buy out-of-the-money, at-the-money (where the option's striking price is the same as, or very near, the spot rate) or in-the-money (where the striking price is below spot for calls and above the spot for puts).

Buying out-of-the-money, brokers explain, is for the investors who anticipate sharp moves in the currency in question. Premiums are lowest on out-of-the-money options, and get higher as you move toward in-the-money.

Thus, the buyer of an out-of-the-money option is risking the least amount overall. But, the odds are that the out-of-the-money investor is likely to lose his entire premium. Such an option, however, also offers the highest possible rate of return.

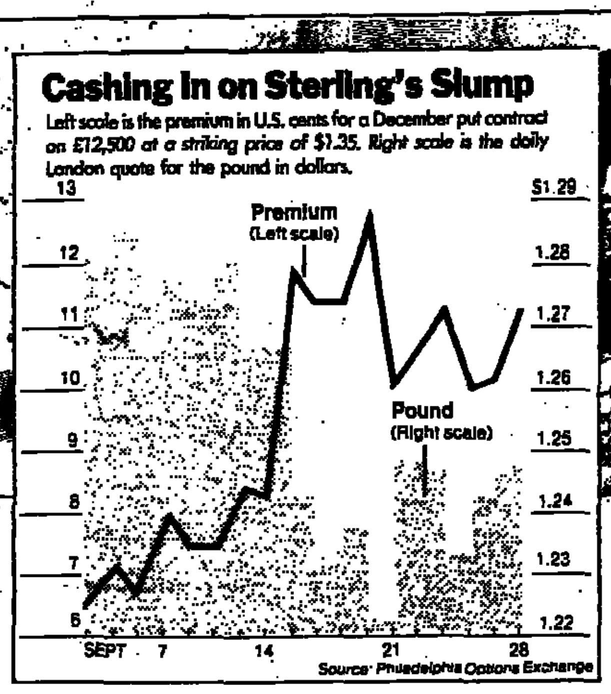
Among the contracts bought over past month or by Mr. Hutchinson were two call contracts on the yen. Both contracts expire in December and have a striking price of 242 yen. He paid a premium of $362.50 for each contract. The standard contract in this case is for 6,250,000 yen.

Each currency contract is quoted differently. Premiums on yen contracts are quoted in hundredths of a U.S. cent per yen. Thus, Mr. Hutchinson paid 0.000058 cent for each yen covered by the contract. In the language of the options trader, he bought two December 42 calls at 0.58.

If he had been forced by circumstance to sell those contracts last Thursday, he would have recorded a loss. The December call with a striking price of 242 yen was quoted Thursday at 0.45, giving the contracts a value of $281.25 each.

Among the other options Mr. Hutchinson purchased over the last few months were two call contracts on the pound. The options had a March expiration and a striking price of $1.25.

He paid a premium of $418.75, or 3.35 cents for each the underlying £12,500, at a striking price of $1.25. A week ago, he sold both contracts at the premium of 4.5 cents, giving the contract a value of $562.50. His profit was $143.75 on each contract, less the brokerage fee and any taxes.



Like many other individuals playing this market, Mr. Hutchinson was familiar with currency markets before he began buying options: "It's just part of my job."

Being a banker, Mr. Hutchinson has access to the kind of electronic gadgetry that can provide him with the latest market information. Such communication can be crucial to the success of a currency-options player, says Victor Levy, a chartered accountant in London. He found out the hard way.

"I probably wouldn't go near [currency options] again," says Mr. Levy. Mr. Levy is a tax specialist who has done work for the Philadelphia and Chicago Mercantile exchanges. When currency options caught his eye, he and two friends decided to do some speculating.

They bought out-of-the-money Deutsche mark calls twice. The first group they sold to limit their losses, the second lot expired worthless. They each lost about $1,000 on those trades, Mr. Levy says. Two of them later made back about $400 each on some out-of-the-money sterling puts that they bought and sold in September. But, Mr. Levy says, they have since shifted to stock options, where they are having better luck.

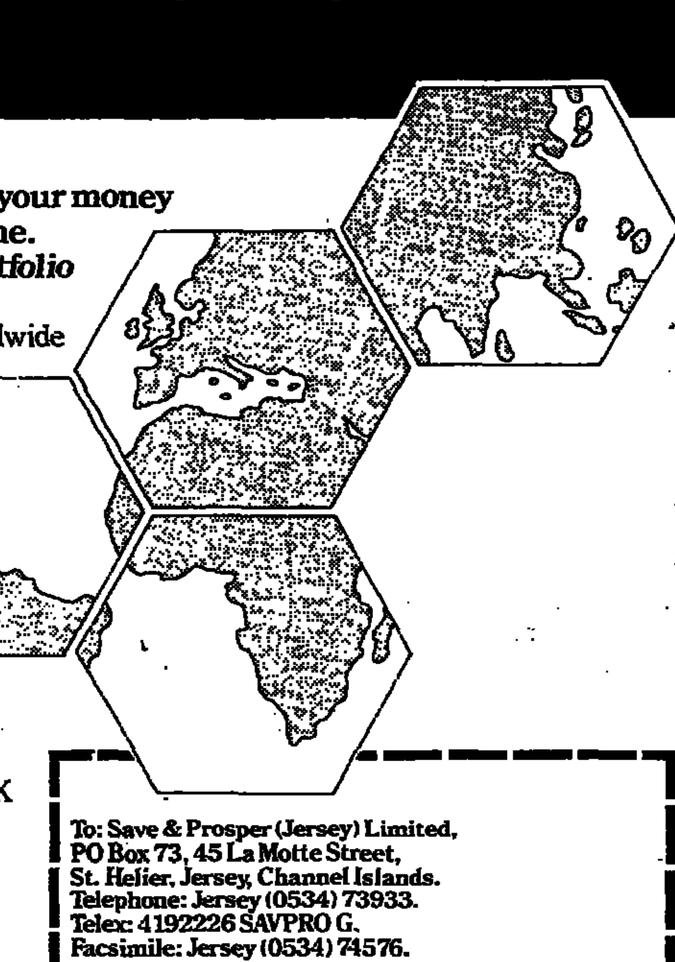
Along with stressing the importance of keeping in touch with market trends, Mr. Levy's advice to would-be investors in currency options is: "If you see a profit, take it."

In addition, he warns, "Don't try to lead a market. Follow it like a sheep if you're a small man.... You can't play the markets that the big boys play." Lastly, he says, "make sure you get cheap commissions."

BROKERS' commissions on currency options trades are negotiated, not fixed, and can range from $10 a transaction to more than $100. And if the broker you use is not a member of the exchange on which you wish to trade, you may get charged twice, because the broker will have to connect with a member broker.

In addition, some brokers require minimum amounts for trading.

Finally, check with an accountant to see what tax rules would apply to any currency-options earnings. In Britain, for example, it is unclear whether such earnings would be subjected to a capital-gains tax, in which case the first £5,600 would be tax exempt, or whether they would be regarded as investment income. In the latter case, tax rates can be as high as 60 percent.



FUNDS

'Recovery' Funds: Profiting From Corporate Turnarounds

These unit trusts often score big by taking risks. But timing is important.

By Lynne Curry

BUYING shares in companies that have been on the brink of collapse may not be everyone's idea of a smart investment. But the assumption that there is nowhere for these companies to go but up is all the incentive some investors need.

This optimistic view probably best explains the popularity of Britain's "recovery funds," which specialize in investing in troubled stocks that appear to have gained a new life.

These unit trusts — the equivalent of mutual funds in the United States — premiered in London 15 years ago. The concept of getting in at the bottom and riding a stock to the top has proved so popular that there are now 18 recovery funds offered by British institutions. And the search for troubled prospects has taken on a decidely international flavor.

Although most funds concentrate on the stock of 50 to 100 British companies, a few international funds also include American stocks and a smattering of shares from the Far East. Despite their diverse origins, these companies have one characteristic in common: All have been dragged down by a major corporate setback, sometimes approaching bankruptcy, but are hoping for a brighter future.

A recovery fund is aimed primarily at the sophisticated investor who does not mind betting on a long shot. They are far more unpredictable than the average unit trust. Even fund managers advise investors to limit exposure to 10 percent of their portfolio. The buyer of recovery funds "should want in for a bit of spice if you like," said Kirsty MacMaster, fund manager of Allied Recovery.

Moreover, it is not the kind of investment for people who seek dividend income. Because it may take time for many of these companies to get back on their feet, a recovery fund aims for capital appreciation.

"Recovery funds are always more volatile and speculative, but the potential for increase is higher," said Christopher Clarke, fund manager of Henderson Recovery. "They offer an above-average risk for an above-average reward."

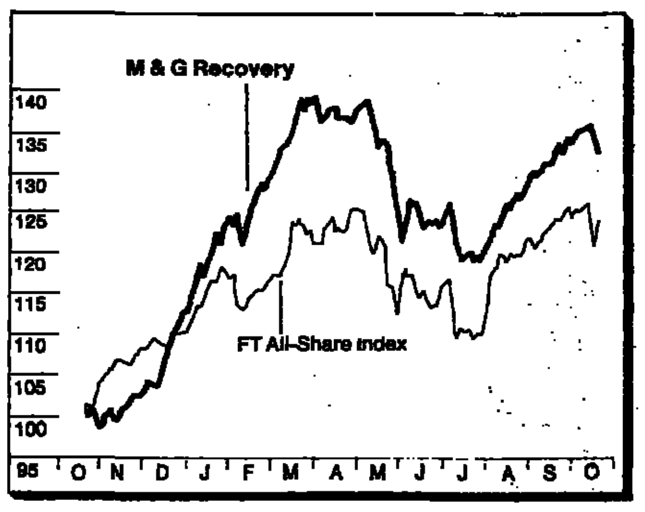
Established in 1969, M & G Recovery Fund is the largest and oldest of the recovery funds and a good example of the risks and rewards of investing in troubled companies.

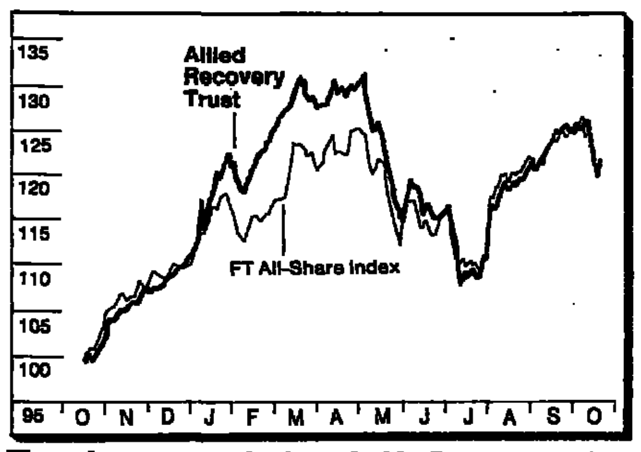
Like most other recovery funds, the £115-million fund has outperformed the Financial Times All-Share Index. An investor who bought units in the trust on June 30, 1982, and sold them on March 31 this year would have realized a 70.2-percent growth in unit value. By contrast, the FT All-Share Index registered a 62.6-percent gain in the same period.

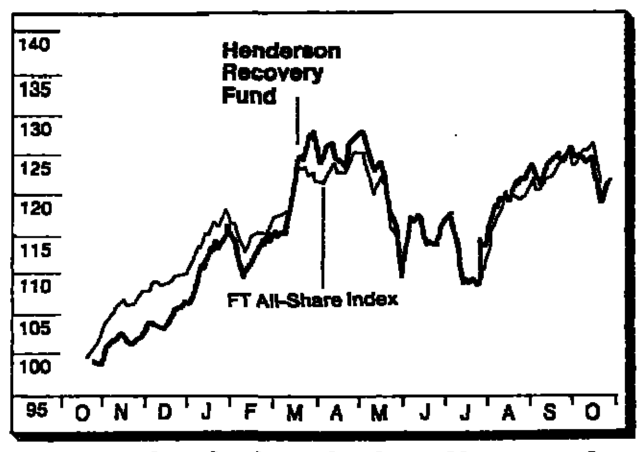
To produce such a gain, the manager of the fund took sizable risk. In the initial stages after June 1982, fund manager David Tucker bucked the conventional wisdom that favored computer stocks by buying second- and third-tier industrial stocks. The decision clearly went against market sentiment and, in fact, the M & G fund did fare worse than the FT All-Share Index.

However, Mr. Tucker stood firm. Eventually, the shares he bought took off when the economic recovery in Britain gained momentum and glamour stocks, like high-technology shares, became too expensive.

Other recovery funds have followed a similar strategy. As the recovery gathered steam in mid-1982, some fund managers bought retailing and building shares, then switched to the manufacturing sector, the area hardest hit by the recession, and subsequently added engineering stocks to their funds.







These three recovery funds tracked by Datastream using a daily index show how they have often been able to outperform the market over the last 12 months. These funds tend to move up faster than the overall market during periods of recovery.

THE PHILOSOPHY of buying such unfashionable stocks not only went against the prevailing market sentiment, but seemed to defy the economic fundamentals at work in the market. This was especially true in the manufacturing sector, where many small companies failed to survive the recession. The willingness to position themselves far ahead of time, however, has enabled the funds to ride the crest of the recovery.

The kinds of shares that are classified as recovery stocks depend on the unit trust. A decline in a company's share price and earnings does not automatically mean that it will be accepted by a recovery fund.

Some fund managers set tough standards. They only want shares in companies that has experienced some sort of major setback. Then if it looks as if a company may be turning around, it might qualify for inclusion.

"M & G has stuck to its philosophy of going for bombed-out companies," said Anthony Milford, a fund manager of Framlington Recovery. He added that if a fund "has too cautious an approach, it won't get the big winners."

"Some will go bankrupt, but if you have others which are trebling and quadrupling their profits" this will counter the poor performance of the weaker companies, he said. "You only get the winners if you stick your neck out."

Other fund managers are less choosy and include companies whose share prices have been disappointing but have not necessarily been victims of the recession.

Avon Rubber, a rubber-products manufacturer whose profits were largely based on tire sales, is an example of a recovery stock. As demand slipped because of longer lasting tires, Avon Rubber's profits turned into losses until the management decided to shift the product mixture away from tire manufacturing.

Although it still makes tires for more sophisticated sports cars, the company is now producing other rubber products such as rubber skirts for hovercraft for the U.S. Navy and respirators for gas masks.

Another example is Turner & Newall PLC, a brake-lining and car-parts manufacturer whose profits fell on fears that its products were too closely linked to asbestos. The company began to turn around after new management took over, asbestos substitutes were developed and some of its recent acquisitions were sold off.

Although the biggest emphasis has been on manufacturing stocks, which were hard hit by the recession in 1981-82, other shares have also qualified as recovery stocks. Fund managers mention Midland Bank, which has only recently begun to recover following the troubles it had with Crocker National Corp., its California-based subsidiary.

Other British trusts specialize in purchasing shares in troubled American companies. Two recent favorites of the funds are Singer Co. and RCA Corp. Singer has for years posted losses on its sewing-machine business because it could not compete with Far Eastern makers. To survive, it has shifted its emphasis to the production of aerospace navigation systems and military electronics.

Likewise, RCA, the telecommunications and broadcasting company, began to improve. New management wrote off its money-losing videodisc campaign, and the ratings of NBC, its television network subsidiary, began to rise.

The examples suggest that the success of recovery funds has a lot to do with the economic climate. The best time to buy into one seems to be when the economy is emerging from a recession.

"Recovery funds do outstandingly well in the early part of an economic turnaround," said Paul Nix, who manages M & G's American Recovery Fund. "The time when recovery funds perform less well is at the end of economic expansion."

FUND managers disagree about short-term prospects for investing in recovery funds. M & G believes that although economic growth is likely to slow next year, another recession probably will not occur soon. There are more likely to be periods of varying growth rates, said Mr. Nix.

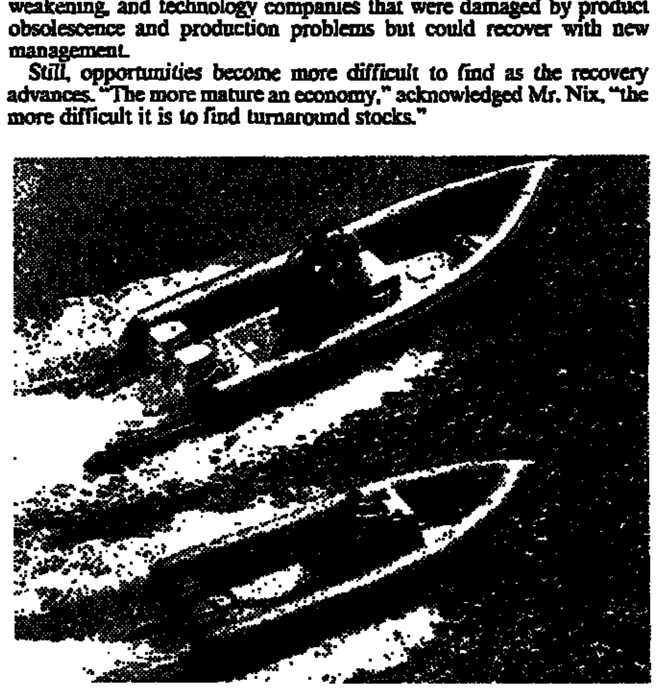
"With less volatility in the economy and less in the stock market the timing decision of when to buy is less important," he said.

However, with the London stock market near an all time high, corporate earnings strong and dividends rising, now is not the moment to invest, according to Framlington's Mr. Milford. An investor should wait until the stock market and economy are both depressed, he said.

Mr. Clarke of Henderson Recovery believes that 1984 will be the peak year for profits from recovery funds and doubts that they will be as great next year. He says that the time to invest in recovery trusts is one year after the start of an economic cycle.

Sectors that fund managers are likely to consider are oil and oil-service companies, which have suffered from the declining oil price, industries that have been hurt by the strong dollar and could benefit from its weakening, and technology companies that were damaged by product obsolescence and production problems but could recover with new management.

Still, opportunities become more difficult to find as the recovery advances. "The more mature an economy," acknowledged Mr. Nix, "the more difficult it is to find turnaround stocks."



These boats are products of Avon Rubber, whose turnaround paid off for the funds that bought its shares.

COMMODITIES

Agricultural Options: Off to a Muted Start

The markets' dullness didn't help

By Gordon Bock

LIKE GAMBLERS waiting for a dice table to open, the Chicago traders swarmed ten-deep around a waist-high, fabric-covered ring more than two hours before the commodity world's newest game would begin.

The scene in brokerage firms around the United States played much the way it did in the New York offices of Heinold Commodities, where a senior account executive, Andrew Loza, and a dozen customers huddled in a warren of office cubicles, gazing expectantly at a square, black loudspeaker mounted on the wall. Finally, with the pop of a champagne cork and the ring of a bell, the Chicago Board of Trade began to trade options on agricultural futures for the first time since they were outlawed in the United States 48 years ago.

The CBOT, which is offering options on soybean futures, joins five other U.S. markets making their own forays into agricultural options, which were banned after a series of abuses and scandals in the 1930s. The Mid-America Commodity Exchange, Minneapolis Grain Exchange and Kansas City Board of Trade all offer wheat options, the Chicago Mercantile Exchange (CME) is dealing in live-cattle contracts and the New York Cotton Exchange is trading options on cotton futures. If all goes well, the U.S. Commodity Futures Trading Corp. expects to add live hogs, corn and another soybean option to the list next spring.

The start of trading caps one of the biggest promotional and marketing efforts ever made by the commodity exchanges, with the CBOT and CME plunking down a combined $5 million for brochures, slide shows and seminars to explain what many investors regard as a strange new animal known as an agricultural option.

Any option gives investors the right — but not the obligation — to buy or sell a futures contract at a later date for a pre-determined price. In exchange for this right, the investor pays a nonrefundable premium and a broker's commission. A "call" option gives you the right to buy at that pre-determined price, known as the "striking price." A "put" option gives you the right to sell at the strike price.

For the private investor, options hold a special attraction over the more unpredictable futures market because they bear far less risk and carry more insurance against potential personal disaster.

Consider an investor who believes soybean prices are going to rise, so he buys a call option for one 5,000-bushel contract. If he turn out to be wrong and soybean prices drop, say, from $6.50 to $5.50 a bushel, an options trader would lose a premium of $1,250, while a futures trader who made the same bet would lose $5,000.

Conversely, of course, if a bearish investor guessed correctly for the 5,000 bushels, he would have made $5,000 trading in futures and would have had to settle for $3,750 trading options — $5,000 minus the $1,250 premium.

COMMISSION costs on options vary widely. For the soybean-contract example, Prudential-Bache would charge a total of $162.50 — $62.50, or 5 percent of the premium, on the buying side and $100 to sell. The identical transaction could cost anywhere from $45 to $250 depending on the broker.

For all the hoopla, early trading has been muted. When the CBOT inaugurated options on U.S. Treasury bond futures two years ago, 4,000 contracts changed hands the first day. A recent day saw a volume of 21,000. First-day agricultural options struggled to achieve a volume of 150 contracts in cotton, 286 trades in wheat, 422 in cattle and a more encouraging 3,000 transactions in soybeans. It is the last two that analysts expect to wind up being the hottest new options, with comparably higher premiums.

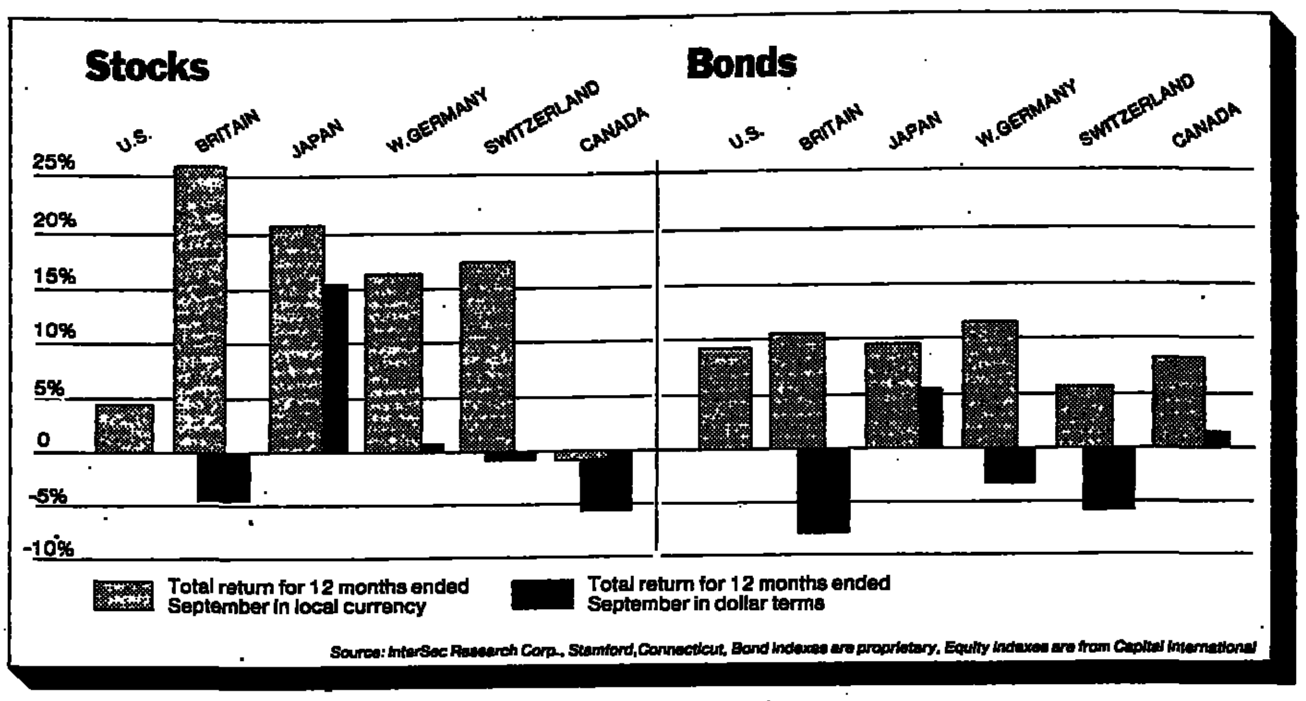
The sluggish start surprises few analysts. Many feel it reflects the same overall condition in the commodities market due to big crops, slack export demand and the dollar's strength.

One investor viewing the action from afar is Stuart Dunkin, 39 years old, a full-time speculator and expert backgammon player who approaches agricultural options with the same studiousness he uses to analyze a backgammon opponent's moves. "It's all mathematics, statistics and strategy — in options and backgammon," Mr. Dunkin says. "I have to sit back and watch this market until I see more volume."

Mr. Loza of Heinold says most of his private clients are adopting similar wait-and-see attitudes toward agricultural options. "It's like fighting in a war," Mr. Loza says. "If you're the first guy over the wall, you have the best chance of getting killed."

CHART TALK

Comparing Total Returns



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary, Equity indexes are from Capital International

Total return is a measure of performance that reflects both the changes in pricesecurities and the income they provide, either in dividends or interest. It can be used as a broad gauge of the relative attractiveness among markets.

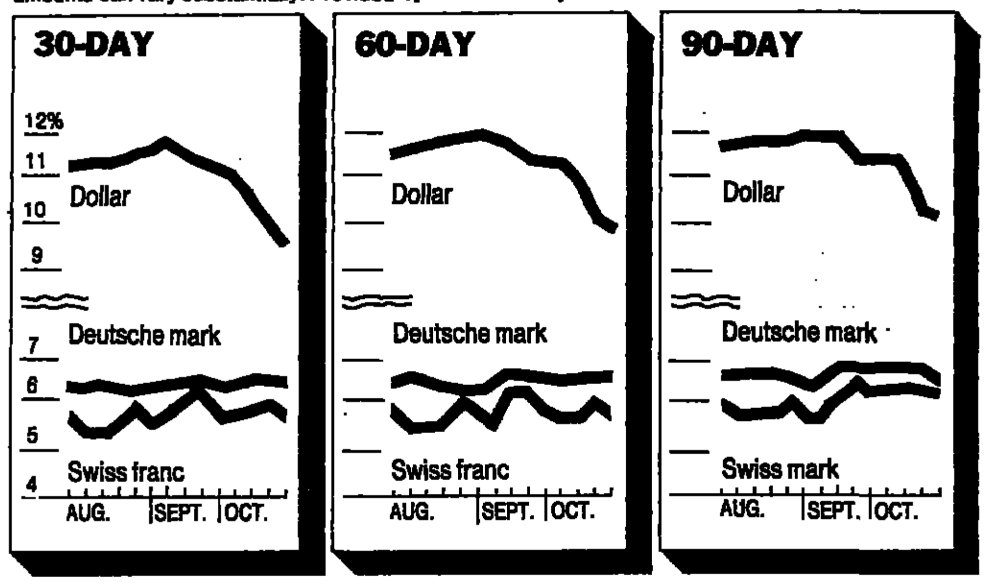
The chart above illustrates the performance of stock and bonds markets in six leading industrial nations in the 12-month period ended in September. It represents the absolute rate of return in terms of local currency and dollars. As such, i' is not adjusted for inflation or local taxes.

Gains and losses were measured by comparing market indexes at the end of September with those a year earlier. The chart does not take into account fluctuations in the markets during the 12 months.

The biggest changes in September's chart came in Britain, where total return in local currency rose to about 26 percent for stocks in the 12 previous months, up from about 22 percent in the 12 months to the end of August.

Eurocurrency Deposit Rates

Interest rates for minimum deposits of one million units. Quotes on smaller amounts can vary substantially. Provided by Noonan Ashley Pearce.



October's Leaders and Laggards

The decline in oil prices, disappointing earnings and takeovers buffeted world stock markets in October. But in New York, the gyrations left the markets about where they had been when the month started.

The Dow Jones industrial average ended the month at 1,207.38, up only marginally from 1,207.71 on Sept. 29. The same was true of the Standard & Poor's composite index, which ended the month unchanged at 166.10.

Christiana Cos., a San Diego-based land developer, vaulted into the top spot on news that TransAmerican Capital had bought a stake in the company. Tiger International was among the airline issues that firmed on the expectation that lower oil prices would reduce fuel costs.

On the losing side were a number of technology companies. Novo Industri, the Danish biotechnology company, jolted shareholders with predictions that its sales would fall below its projections. Storage Technology, the computer maker that filed for protection from its creditors, slid 64 percent.

In the over-the-counter market, a few small computer shares advanced, among them Dysan. Kodak agreed to market Dysan's floppy disks, used for computer memory devices. Then Dysan agreed to be acquired by Xidex.

In London and Tokyo markets turned in much strong showings than Wall Street during the month. The Financial Times Industrial Ordinary Index climbed to 888.0 from 864.40, despite the unresolved coal strike and shaky oil prices. A drop in interest rates helped the move upward.

Shares in Currys, the electrical retailer, were driven up by bidding from Dixons. After an initial bid was rejected, Dixons tried again with an offer in cash and shares valued at about £230 million ($287 million). Builders such as George Wimpey and Barratt Developments also were market leaders. The big casualty on the London Stock Exchange was Johnson Mathey, the precious-metals and chemicals group whose banking arm was rescued by the Bank of England.

Stocks in Tokyo surged in October as the yen strengthened. The Tokyo Stock Exchange's market index rose strongly to 860.44, from 825.66 in October.

Pharmaceutical and bank shares were big gainers, while consumer electronics and machine makers were big losers.

Gainers and Losers

The stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in October.

GAINERS	Percent Gain	Oct.31 Price	LOSERS	Percent Gain	Oct.31 Price
New York Stock Exchange					
Compiled by Media General Financial Services. Price in dollars					
Christiana Cos.	62	9.13	Storage Tehnology	64	4.09
Tiger Int'l	49	8.75	Novo Industri	35	21.88
Caressa Group	49	15.63	Western Co.	31	5.13
Adams Drug	33	24.25	Omnicare	29	6.88
Pantry Pride	29	5.50	C-3 Inc.	28	8.38
Orange-Co.	27	10.63	Allis-Chalmers	28	7.50
Mestek	25	4.38	Varco Int'l	28	2.63
Pacific Scientific	24	16.25	Lehigh Valley	27	3.00
Grow Group	23	17.50	Mohawk Data	27	10.25
Eastern Air Lines	23	4.75	Inspiration Resources	26	5.00
American Stock Exchange:					
Barnes Engineering	35	3.88	Fitchburg Gas	39	10.38
Swanton	33	9.00	Telesciences	39	9.38
Continental Airlines	29	8.38	Dataproducts	31	15.13
ICH Corp.	29	64.00	TII Industries	31	9.25
Sterling Extruder	29	15.75	American Maize	30	13.25
Over the Counter:					
Dysan	100	9.00	Doctors Officenters	55	2.50
York Research	77	5.75	Convergent Tech.	51	6.88
Genetic Engineering	67	3.13	Westside Bancorp	47	4.75
Scanforms	60	2.00	Scientific Computers	47	5.88
Continental Health	55	6.00	Hyde Athletic	43	3.75
London Stock Exchange:					
Compiled by Capital International. Prices in pence					
Currys	57	414	Johnson Mathey	37	151
DRG	27	162	United Scientific	27	196
Rowntree Macintosh	18	384	Telephone Rentals	16	188
Whitbread	17	191	De Beers	15	366
Burton Group	16	451	Charterhouse Roth.	12	79
George Wimpey	16	116	Mercurey Securities	12	400
Bass	16	420	TI Group	9	212
Barratt Developments	16	94	Commercial Union	9	171
Tootal	14	58.5	British Oil	9	226
Booker McConnell	13	215	Hawker Siddeley	9	403
Tokyo Stock Exchange:					
Compiled by Capital International. Prices in yen					
Mochida Pharmaceutical	41	13,100	Matsushita Comm.	16	2,980
Sumitomo Bank	40	1,290	Victor Co.	15	1,950
Daiichi Seiyaku	35	2,230	Murata Mfg.	14	1,950
Ono Pharmaceutical	32	11,400	Matsushita Elect.	13	2,790
Tanabe Seiyaku	31	1,250	Pioneer Electronic	12	2,330
Nippon Seiko	25	721	Amada	12	1,150
Ebara	25	390	All Nippon Airways	11	355
Ito Ham Provisions	24	574	Omron Tateisi	10	2,160
Banyu Pharmaceutical	24	1,020	Makino Milling	10	1,350
Fuji Bank	23	1,120	Nitto Electric	9	2,130

With Dollar Outlook Unclear, Investors Look for Safety Nets

(Continued from Page 9)

chael Rosenberg, vice president and manager at Merrill Lynch Capital Markets. "The question is whether or not this will continue to underpin the dollar."

Odds are that the dollar will weaken considerably at some point, but most investment strategists believe that it is premature to abandon the U.S. currency. There is no way of gauging how far the dollar would fall once it began to descend, and it may never sink to its 1980 level of 2 DM.

Adding to the confusion is strong sentiment in some quarters that the dollar could edge even higher. Jan M. Donker, senior investment manager at Rorento, an international bond fund sponsored by the Rotterdam-based Robeco Group, expects the dollar to rally now that the Reagan administration has won another term. Though he believes the dollar is overvalued, "my bet is that it's not over."

What should an investor do? Nothing, says Suresh L. Bhirud, chief portfolio strategist at First Boston Corp. He argues that economic growth in the United States may be slower but that it is still stronger than in Europe. And low inflation and political stability in the United States, Mr. Bhirud says, will remain long after interest rates decline. In other words, there may be no reasonable alternative to the dollar until the European recovery shows more depth, possibly by 1986.

Mr. Bhirud also sees a drop in the dollar as a "kicker" for U.S. companies whose export earnings have shriveled because of the high dollar. Buying shares in such companies, he said, would be one of the simplest ways to hedge against a dollar decline.

Elaine Gazarelli, senior vice president at Shearson Lehman/American Express, has identified seven out of 60 industry groups she tracks as the likely beneficiaries of a weaker dollar because of their dependency on foreign sales.

They include cosmetics, pharmaceuticals, soft drinks, chemicals, computers and business machines, semiconductors and construction machinery. As an example of the potential benefits, Miss Gazarelli said a 10-percent drop in the value of the dollar will double the earnings growth rate for the first four groups.

She said some of the companies that stand to benefit most from a weaker dollar include International Flavors & Fragrances, Gilette, Coca Cola, Motorola and Dow Chemical.

Those who are not reassured by the confidence expressed by analysts like Mr. Bhirud can take some simple steps to minimize their currency vulnerability without forsaking the dollar.

Perhaps the simplest is selling stocks and buying bonds. Analysts point out that a number of institutions have already taken this step to lock in the current high yields available on fixed-income securities. And the return could be high enough to offset losses from currency translations. In addition, if U.S. interest rates decline further, as many analysts expect, bond prices will rise.

Another strategy gaining favor is buying warrants, or options, on Eurobonds. With warrants, a bond buyer puts up as little as 4 percent of the price of the bond for the right but not the obligation to buy a dollar-denominated bond in the future. In the meantime, the balance outstanding is invested in another currency as a hedge. If the dollar drops significantly, an investor only loses the premium that was paid up front.

True bears, however, probably feel obliged to trim the dollar portion of their portfolios. If so, Merrill Lynch's Mr. Rosenberg suggests fixed-income paper, preferably denominated in Deutsche marks or European currency units, which reflect the value of a basket of eight European currencies.

The yields, he says, are among the closest to dollar-denominated Eurobonds, with 10-year West German domestic paper yielding about 7.60 percent, while a comparable ECU Eurobond earns about 10.45 percent. In contrast, a 10-year dollar-denominated Eurobond yields about 12.50 percent. Japanese-government bonds are another alternative, Mr. Rosenberg says, but the mark and other European currencies will likely bounce higher than the yen if the dollar falls.

Selecting an adequate hedge among equities is a lot riskier. The markets in countries whose currencies are likely to gain most from a dollar decline are generally less responsive than Wall Street. Stock prices also tend to be higher, with average price-earning multiples in Japan double the level in the United States.

Nevertheless, David Testa, president of T. Rowe Price's International Fund, is convinced that a drop in the dollar will touch off rallies in some equity markets around the world, though he admits that the returns will be uneven.

Even though the mark is seen gaining most from a fall in the dollar, Mr. Testa is not especially fond of German stocks. "The problem in Germany is that it's hard to get excited about individual stocks," he said. "There's too many large diversified corporations or closely held companies. German markets just aren't dynamic."

Mr. Testa prefers the Japanese market and has built up a significant exposure in yen securities, equivalent to 40 percent of the open-end fund's $180 million in capital. He shies away from the high priced end of the market such as technology issues.

Instead, he searches for stocks that have yet to gain celebrity status among world investors or are bound to benefit from lower oil prices. Mr. Testa says Japanese utilities, like Tokyo Electric Power, will offer good value if the dollar drops.

Selectivity is crucial if an investor is entering a new market because of dollar fears. William E. Holzer of Scudder, Stevens & Clark's International Fund points out that a weaker dollar could spell trouble for a lot of European and Asian companies by improving the price competitiveness of U.S. concerns while reducing the appetite of American consumers for foreign goods.

In Canada, Dashed Hopes

AP Wideworld

Even the election of a pro-business prime minister has failed to stir the market

By Fred Langin

NO WHERE, it seems, have this year's sluggish commodity prices taken a higher toll than on Canadian stock markets.

Even the election in September of a conservative government in Ottawa failed to translate into the kind of resurgence in equity prices some observers had hoped for.

Even traditionally bullish developments in the neighboring United States have failed to stir the market. "It's the first time since 1960 that the Toronto market fell in a United States election year," said Richard Anstett, who is in charge of the index for the Toronto Exchange.

The Toronto Stock Exchange 300, a list of 300 stocks that one broker described as "the only 300 companies worth owning in Canada" was off 7.71 percent at the end of October. The performances at Canada's four other exchanges has been equally dreary.

One measure of the bearishness has been the sharp slump in volume this year. The Toronto exchange traded 1.7 billion shares in the first 10 months of the year, down 2 billion shares from the level of a year earlier. And more shocking for the brokers is the dollar volume of trade; 21.7 billion Canadian dollars ($16.6 billion) of shares traded hands, down from 25 billion dollars last year.

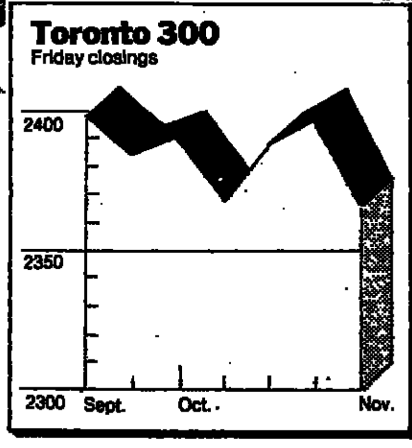
"If we don't have a big market in 1985," says one broker, "the biggest disaster of 1985 could be the brokerage firms themselves."

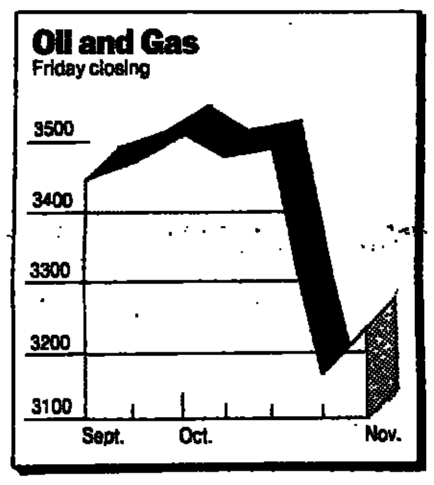
The only bright spot has been the auto sector, which has been gaining because of lower wage costs. Ford Canada has been trading at around 125 dollars compared with 79 dollars last January. Hays Dana, an auto-parts maker, is another bright prospect mentioned by analysts.

The bearish sentiment is understandable. Companies dealing in natural resources make up the largest sector on Canadian stock markets and the recent declines in mining, oil and gas shares reflect the underlying weakness in commodity prices. Not surprisingly, the lopsided nature of the market tends to affect the mood of the entire exchange.

Moreover, the new hope of Canadian investors, high-technology stocks, were hit even harder. Some shares have become almost worthless since the start of the year.

Analysts see little hope of a quick turnaround. "The bond market will drag the stock market up a bit but there won't be a big market play here until 1986," said Derek Russell, of Dominion Securities Pitfield.





INTERNATIONAL oil-price wars and the seeming inability of the Organization of Petroleum Exporting Countries to shore up crude prices spell trouble for the oil companies, which once had been major attractions. The Toronto Stock Exchange's oil and gas index is off 7.61 percent so far this year, with most of that slump coming in the last month.

But statistics do not tell the whole story. The oil and gas index is mainly a measure of the large integrated oil companies such as Imperial Oil, 69-percent-owned by Exxon, and Gulf Canada.

Those companies' shares have had just a gentle drop, with Imperial going from 45 dollars to 43 dollars in the first 10 months of the year. Likewise, Gulf Canada was at 14 dollars at the end of October, down from 17 dollars on Jan. 1.

It was the smaller companies that took a drubbing. Ranger Oil tumbled to 7 dollars from 14 dollars in 10 months; Oakwood Petroleum dropped to 15 dollars from 24 dollars. The biggest loss for the year was a small oil company, Trans Western Exploration, which started the year at 1.95 dollars and was last selling for about 10 cents.

Domestic developments added to oil company problems. Analysts point out that gasoline price wars in Canada ate into profits for most of the year.

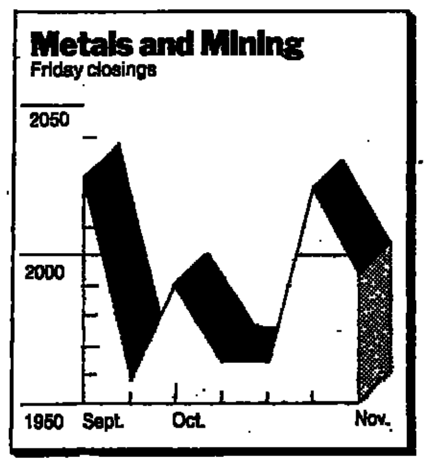
The discovery by Gulf Canada of a large oil deposit in the Beaufort Sea, which is in the arctic near Alaska, briefly captured the market's attention.

"The find is very significant," says Richard Hallisey, oil analyst with First Marathon Securities in Toronto, "It could be more oil now than we now export to the United States."

But here, too, there are drawbacks. Mr. Hallisey and other experts say the area is so remote that even if the find proved to be commercial it would be five to 10 years before it could produce any cash for its owners.

Mining shares have done even worse than oils stocks. Even though Canada is the world's largest producer of nickel and zinc, the second largest source of uranium, the third biggest producer of gold and silver and ranks among the lead and copper leaders, none of these achievements have helped stock prices.

The metals index sank 22.46 percent in the past 12 months. The big uranium mine, Dennison, slumped to 13 dollars from 23 dollars; Hudson's Bay Mining dipped to 7 dollars from 14 dollars. But it was the penny stocks that have been hit hardest. One, Tangelwood Resources, went from 2.70 dollars to 26 cents.



ADDING to the market's problems has been the dismal performance of the Toronto market's fledgling high-technology sector. Aside from a few companies, analysts say, the high-tech concerns, encouraged by government funding and enthusiasm, have had unrealistic expectations and dreamy management.

Bytec-Comtern has stopped making a portable computer similar to the IBM Personal Computer. Its stock has dropped to 1.40 dollars from 8 dollars. Nabu Network had the idea of delivering computer software over cable television systems. The idea did not catch on. The stock opened 1984 at 30 cents and is now worth 25 cents.

There were some technology successes, however. Helix, a company that makes integrated circuits, saw the price of its stock rise to 11 dollars at the end of October from 4 dollars in January. And CAE Industries, which makes flight simulators, climbed to 13 dollars from 8 dollars.

Tracking Tech On the Bourses

(Continued from Page 9)

for computer programming, will more than double pretax profit for fiscal 1984 to at least £5 million, from £2.35 million in the year ended Dec. 7, 1983. Sales in 1983 were £9.01 million, only a little more than the first half of the year.

These sharp increases offset the otherwise forebidding price-earnings multiple of 41. The share price, which closed a 880 pence Oct. 31, has gone from a low of 240 pence in 1983 to a high of 930 pence this year.

Micro Focus has succeeded where many other British companies have failed by expanding into the huge U.S. and Japanese markets. In 1983, the United States accounted for almost 60 percent of Micro Focus's sales. Japan represented 27 percent.

STILL, there are potential pitfalls, such as a possible entry by International Business Machines into the software-tool market.

Another British company that has distinguished itself by successfully competing with U.S. concerns on their home ground is Computer and Systems Engineering, supplier of data communications networks.

Computer and Systems Engineering started off by importing modems from Paradyne of the United States. Then, after a disastrous foray into word processing in 1982, it acquired Rixon, a U.S. data-communications company, from Schlumberger. It then began taking on companies like Paradyne in the United States.

"It's shown itself to be two years ahead of the competition," says Douglas Hawkins, an analyst with James Capel & Co., a London brokerage. "It doesn't reinvent the wheel every time, but it invents a better wheel."

Demand for data-communications products is growing an estimated 40 percent a year, and Computer and Systems Engineering's revenue is expected to increase at about the same rate or better, according to industry watchers.

But not all the growth stocks are in information processing. Consider Coloplast, a Danish company that has found a niche in specialized medical products.

One of Coloplast's main products is a device called an ostomy bag for patients who have had parts of their stomachs or bladders removed. Other products include items for dressing wounds and sores.

While these products lack the glamour of whirring computers, they are profitable. Despite competition in Europe from strong U.S. companies such as E.R. Squibb and Abbott Laboratories, Coloplast increased sales 55 percent to 316.2 million krone ($29.7 million) in the year ended June 30, 1984, from 204.5 million krone the previous fiscal year.

Coloplast is getting aggressive. In the past 12 months, it has opened subsidiaries in West Germany, the United States and Sweden. Spain is next. It already had operations in Britain.

"We used to be production oriented," says a company official. "Now we're marketing oriented."

The price of the company's stock has risen to 2,020 krone per 100 shares from 1,150 krone when it was introduced on the Copenhagen Stock Exchange in May 1983. Coloplast is expected to issue in December 50 new shares for every 100 shares now owned.

Coloplast has found its niche

Increased attention is also being paid to another, more established Scandinavian company moving into profitable new markets. Finnish Sugar Co., which is known for its food and animal-feed products, is becoming increasingly successful in the sweetener and starch-enzyme businesses. Although it has had problems getting approval for marketing the sweeter Xylitol, the company now says that obstacle has been removed.

Finnish Sugar has entered the U.S. starch-enzyme market by taking business away from Denmark's Novo Industri, which recently reported a sharp drop in profit. Novo formerly supplied starch enzymes to Archer Daniel Midland in Decatur, Illinois. Now, through a joint-venture agreement with Nabisco Brands, Finnish Sugar is licensing the use of Finnish enzyme technology to Archer Daniel Midland, which has 40 percent of the U.S. corn-syrup market.

The price for unrestricted Finnish Sugar shares available to foreigners was 100 Finnish marks ($16.20) on Oct. 31, up from 92 marks, when 1.8 million shares were issued in a private placement across Europe in November of 1983.

Carnegie Fondkommission, the Stockholm brokerage house responsible for part of the private placement, estimates that 1984 per-share earnings will be 14 Finnish marks, up from 11 marks per share in 1983. Carnegie also predicts that net will rise to 17 marks per share in 1985.

Finnish Sugar is building up its international operations, which until now have been insignificant. "This is a major growth area," says Juha Koivurinta, manager of the company's new international division, who predicts at least a 50-percent increase in international sales next year.

Low Profile, High Promise

Company	Business	Where Traded	Stock Price on Oct. 31	Price/Earnings Multiple
Finnish Sugar	Supplier of food, feeds sweetners and starch enzymes	Helsinki Stock Exchange	100 Finnish marks	7
Coloplast	Maker of surgery-related products	Copenhagen Stock Exchange	2,020 Danish krone per 100 shares	14
Electronic 2000	Distributer of electronic parts	Munich Stock Exchange	250 Deutsche marks	14
Computer and Systems Engineering	Maker of communications products, including multiplexes, modems and data networks	London Stock Exchange	295 pence	23
Micro Focus Group	Producer of software, primarily based on COBOL language	London Stock Exchange	880 pence	41

PROFILE

Hans Mast: The Recovery Is Shifting

Fittingly, his office sits squarely on Zurich's Paradeplatz, ground-zero of the Swiss financial community. At 64, Hans Mast, the senior economist at Crédit Suisse, is the doyen of his trade in a country that survives largely by its financial wits. A genial pragmatist, Mr. Mast, who joined Crédit Suisse in 1947, has enjoyed a rare view of the inner workings of the world's financial system. In an interview with the International Herald Tribune, Mr. Mast was generally optimistic. The economic developments in the U.S., he felt, only showed that the system was working. Furthermore, he is convinced that the past few years of global economic turmoil have had some beneficial effects. Says Mr. Mast: "The world is a safer place than it was yesterday." On other topics:

Hans Mast in his office: "The crisis atmosphere was probably essential."

Question. Some economists in the U.S. are speaking of a growth recession. What is your view on the American economy?

Answer. 'Growth recession' is just a new-fangled term for a slowdown, and, yes, a noticeable slowdown is already taking place in the U.S. We expect zero growth for the first half of 1985 and we do not exclude the possibility of negative growth in the second quarter.

In such circumstances, we foresee a slight rise in unemployment, possibly to 8 percent of the work force. But, then, in the second half we expect a resumption of real growth, probably in the range of 4 percent. So for the year, the U.S. will achieve roughly a 2 percent increase in GNP.

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Q. What will stimulate the resumption of growth?

A. First of all, a decline in American interest rates. Of course, we do not expect a dramatic fall. They will remain high with respect to the long-term range at 10 percent or so. But even modest declines will have stimulative effects, notably on consumer buying on installment plans and residential construction.

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Q. How do you view the recoveries in Europe and Japan?

A. With considerable optimism. These are not fast recoveries, but they are solid and have stamina. Western Europe achieved a 3-percent growth rate in the last half of this year, and we are looking for that tempo to continue throughout 1985 with a tailing off toward the end of the year. For Japan, we are expecting a slight decline from the present rate of 5 percent during next year.

A historic reversal of roles is taking place. In the first half of next year, for the first time in many years, the European and Japanese economies will probably be growing at a faster pace than the American. This development will exert a powerful demand-pull on the U.S. economy and attract American exports, especially if the dollar grows somewhat weaker.

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Q. Which sectors are likely to benefit the most in Europe from the continued recovery?

A. Export-oriented industries are first in line. We expect Europe to maintain and even improve its export penetration after the second half of '85. At present European currencies are undervalued against the dollar, and we see substantial import orders. We look for the most noticeable improvements in pharmaceuticals, all sorts of consumer-oriented sectors and services, including banking.

On a country-by-country basis, Germany is improving, and we are hopeful about France. In Britain, much depends on the outcome of the miners' strike. Even so, the European recovery will have little effect on the level of unemployment, which will remain high.

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Q. Many experts feel that the U.S. currency has peaked. Yet, isn't it odd that investors in fixed-rate dollar securities seem in no rush to take their profits or hedge their bets?

A. Why should they? Given the high differential between American and Swiss interest rates, investors have no reason to move out quickly. Even in Deutsche marks, the differential is 4 percent in favor of U.S. securities. This large margin between dollar returns and those on Swiss franc and DM-denominated securities provides a considerable cushion. So, too, does the capital gain resulting from lower interest rates.

Also, there is the question of whether the investor expects a soft or hard landing of the dollar. Because the climb of the dollar since 1978 has been until recently relatively steady and orderly, most investors seem to think its decline will be the same way.

You must also remember that many of them went into dollar securities when the U.S. currency's rate was 1.80 to 2.00 Swiss francs. Therefore, those portfolios still look very, very good. Even for investors who bought at 2.50 to the dollar, the interest differential means that the dollar would have to decline 8 percent against the Swiss franc before the dollar investment provided a yield as low as a Swiss fixed-interest security. If you recalculate the interest differential for three years, the dollar could fall to 1.80-1.90 Swiss franc in 1987 before actual losses could occur, thus giving investors ample time for decision.

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Q. Some observers say the dollar's value, though high, reflects a new equilibrium in the world economy. How would you respond to that view?

A. Quite the contrary. The problem is that none has been established. In the early '80s, we had what we thought was an acceptable rate of 1.80 to 1.95 Swiss francs to the dollar, and that this rate more or less accurately reflected purchasing power and the relative balances in current accounts among the major trading nations.

Now, as the dollar has risen as high as 2.57 Swiss francs, we see great discrepancies and imbalances. Huge current-account surpluses are being built up in Japan, Europe and even in some of the developing countries, while the U.S. is showing huge deficits.

But the currency rates have not yet adjusted to correct these imbalances. Until they do, the high-priced dollar, which is pulling imports into the U.S. at a tremendous rate, will handicap and damage many American industries and increase the pressures for protectionism in Washington. At the same time, debtor countries are suffering from the high price of the dollar.

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Q. Since the world banking crisis began to dominate headlines two years ago, the global economic system has survived several scares and remained intact. Is the worst behind us or ahead of us?

A. The worst didn't happen but also it is not in front of us. Actually, we have not been experiencing a global banking crisis. The banks that have gotten in trouble did so because of bad loans at home, not because of foreign borrowers. Nor have we had a debt crisis in the sense of overindebtedness.

What we have been experiencing is rather a debt-management crisis. In some respects it has been overdramatized, but perhaps with good reason. The crisis atmosphere was probably essential to drive home a number of important points. The borrowers have learned that they cannot rely on endless credit from abroad to finance an unbalanceable current account or grandiose and uneconomic projects.

They also learned that they would be worse off if they *did not arrange their debts with their creditor banks and* countries than if they did. Western governments in their turn now recognize that they have the responsibility for their own banks as well as for establishing an environment that does create a relatively prosperous world economy. Finally, the banks have learned that loans cannot be liquidated at a stroke but that they rather have to add to their commitments. . . .

In 1985's first half, for the first time in many years, Europe and Japan will probably be growing faster than America.

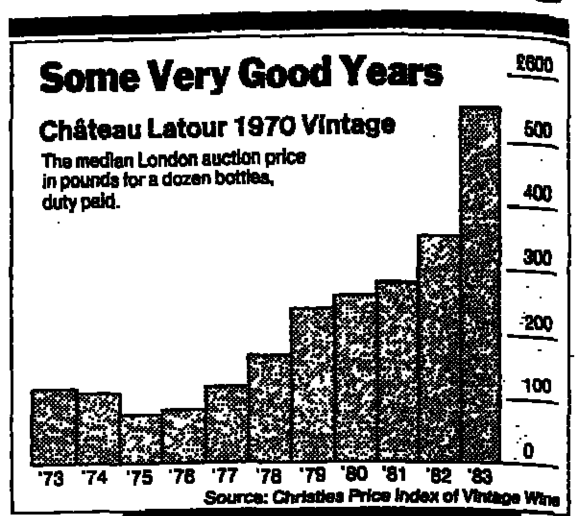
SOMETHING DIFFERENT

Why Wine Is Booming

By Robin Duthy

THE VINEYARDS of France have been tended more lovingly than any land on Earth and produce some of the wonders of the gastronomic world. For the investor in fine wines, those wonders have proved as pleasing to the pocketbook as they are to the palate.

An economic recovery and a spreading knowledge and interest in wine have conspired to push wine prices to impressive levels. The 1961 "first growths" now bring around $2,800 a case at auction compared with $450 in 1975. Since then the Vintage Bordeaux Index, which measures 20 top châteaus through three outstanding vintages, has climbed 425 percent — equivalent to 20-percent annual growth. The indifferent 1967 and 1969 vintages have risen only half that rate.



In London, wine drinkers buy young wines from their retailer, sell part of their holding at auction a few years later and reinvest in new young wines the retailer is then offering. With prices rising 20 percent annually for so long, many investors have been able to carry out this trading program year after year, covering the costs of the *fine wines* they consume with their profits from the auction.

These auctions provide an efficient two-way market in physical wines of any age. The expenses of an in-and-out investment, including selling commission, buyer's premium and taxes, fall in the 18-to-25-percent range. Christie's, whose charges are generally lower than Sotheby's, hold regular sales in London, Amsterdam, Geneva and Chicago.

Investors get their first chance to buy the young Bordeaux wines six months or so after the grapes have been picked. Wine merchants will be offering the 1984 vintage *en primeur* next spring. At that time the wines will still be maturing in barrels at the château, so the buyer gets a piece of paper establishing his title to so many cases of a certain château's wine when it is shipped two or three years hence.

Until the wine is physically available in bottle, wine futures are traded between brokers, merchants and shippers on the Bordeaux market. Turnover has been heavy this year in the superb 1982s and the promising 1983s. Interest in those vintages rose further when this year's failure of the Merlot grape began to signal a sharp drop in production.

But demand was strong long before this year's setback. The fact that the European Community has accumulated a "wine lake" reflects falling consumption of everyday wines in France, Italy and Spain and has little to do with the quality wines of Bordeaux.

For centuries the names Lafite, Latour, Margaux, Mouton Rothschild and Haut Brion have been known to connoisseurs; recently several wine publications has made them familiar in a vastly wider range of households. As a result, some wine merchants are finding them easier to sell than to buy. Most investment interest is focused on the châteaus accorded first or second growth status in the 1855 classification of the Médoc, together with three from other regions: Châteaus Ausone, Pétrus and Cheval Blanc.

A big part of the strong demand is coming from Americans. For the last two years the sliding value of the pound against the dollar has turned London wine auctions into a bargain basement for American buyers. In sterling terms, the Vintage Bordeaux Index is up no less than 700 percent.

The performance of wine prices is not so surprising, for fine wine has strong investment credentials. In the first place, supply is just about fixed for all time. Nearly every corner of France has been planted with vines, yet only a few thousand acres have been found with the soil and microclimate needed to produce great wine. And within that area the official *Code du Vin* limits the amount of wine that may be made.

Another obvious but important point about wine as an investment is quite simply that it gets drunk. The existing stock of other alternative investments such as paintings by old masters and Georgian furniture is static; that of gold and diamonds, above ground at any rate, is growing. Fine wines, on the other hand, get rarer all the time.

EUROBONDS

Eurobond Market Week Ends on Note of Confidence

By CARL GEWIRTZ
International Herald Tribune

PARIS — The Eurobond market went full circle last week — opening on a wave of euphoria about the impending decline in interest rates, then sinking as short-term rates actually hardened and finally recovering as confidence in the inevitability of a decline again swept the capital markets.

The recovery occurred too late in the day Friday to enable underwriters to unload much of their very sizable stock of unsold paper, but at least they could sleep easier with the expectation that inventories would be run down this week.

The renewed optimism was triggered by Friday's news that the U.S. wholesale price index declined 0.2 percent in October, establishing the first string of three consecutive monthly declines since 1967 and allaying fears about an imminent resurgence of inflation. Most analysts had expected the latest index to increase by around 0.3 percent.

A continued, albeit modest, decline in the money supply reported late Thursday was another positive development seen giving the Federal Reserve all the room it needed to ease its credit policy. The Fed itself, after the market closed Friday, released the minutes of its Oct. 2 Federal Open Market *Committee* meeting showing that governors had voted 9-to-3 in favor of maintaining a "lesser degree of restraint."

Eurobond Yields
For Week Ended Nov. 7

U.S.$ lg term, Int'l inst.	12.08 %
U.S.$ long term, ind.	12.47 %
U.S.$ medium term, ind.	12.59 %
Can.$ medium term	12.83 %
French Fr. medium term	11.46 %
Yen lg term, Int'l inst.	7.11 %
ECU short term	9.64 %
ECU medium term	10.32 %
ECU long term	10.45 %
EUA long term	9.25 %
FLx lg term, Int'l inst.	10.37 %
FLx medium term	10.30 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover
For Week Ended Nov. 9
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	11,979.80	10,207.70	1,772.10
Euroclear	28,398.00	26,926.10	1,471.90

And finally, there was Henry Kaufman's comment that the early week rise in short-term rates was due to technical problems and that a cut in the Fed's discount rate may be impending. The Salomon Brothers economist said that "fundamental considerations do suggest a further easing in money market conditions, including about an even change of a reduction in the discount rate" which would permit the cost of overnight money to drop to the range of 9 percent to 9½ percent and bring all other interest rates down.

As a result of all this, the overnight cost of money, which ended Thursday at 9¾ percent, shed a hefty half a point to close Friday at 9¼ percent.

Reflecting last week's uncertainty about the direction of interest rates, floating rate notes occupied top place in the new-issue calendar with eight issues totaling $2 billion announced.

In addition, the first floating-rate certificates of deposit denominated in European currency units were launched by Banco di Napoli International (not guaranteed by the parent bank) and *San Paolo-Lariano Bank (guaranteed by parent Istituto Bancario* San Paolo di Torino). Both issues were increased in response to demand, Napoli by 5 million to 30 million ECU and San Paolo by 20 million to 45 million ECU. And in the Eurosterling market, Ireland sold £100 million of FRNs.

Innovation, what market participants call bells and whistles, is also bringing change to this sector. Chemical New York Corp., for example, offered $300 million of 15-year notes priced at ⅛-point over the one-month London interbank offered rate. The

(Continued on Page 17, Col. 1)

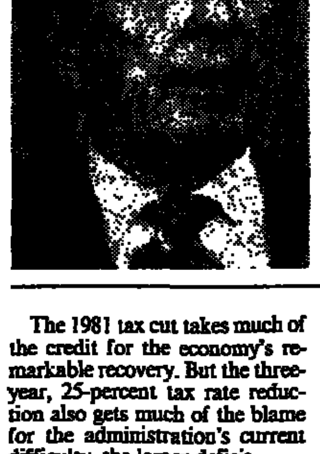
After U.S. Election, a Struggle for Reagan's Ear

Watching the Advisers Around the President Will Provide Policy Clues

By Peter T. Kilborn
New York Times Service

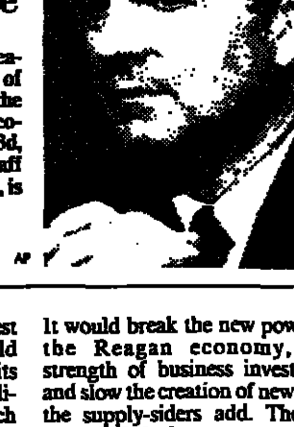
WASHINGTON — The campaign for the U.S. presidency is over and the campaign for the president's ear has begun. Ronald Reagan now faces the same contentious economic issue that sank Walter F. Mondale in the presidential race: to raise taxes or not.

The debate over the wisest way to manage the huge federal deficit without tipping the economy into another recession is now raging within the White House itself — not between Democrat and Republican, but among the president's own top advisers. The president *is likely to stall* for a while. But sometime in the first half of 1985, Mr. Reagan will have to make a choice. What he decides will go far to determine the shape of the U.S. economy over the next four years and could ultimately determine the succession to leadership of the Republican party in the post-Reagan years as well.



The Key Players In Deficit Debate

Donald T. Regan, left, the Treasury secretary and the leader of the supply-siders, is the man the president listens to most on economic theory. James A. Baker 3d, right, the president's chief of staff and an orthodox former banker, is *the president's chief strategist.*



AP

The most likely scenario now is for Mr. Reagan to begin work next year on his oft-repeated promise to simplify the tax code — an exercise that could take advantage of the president's enormous election victory to exploit the "window of opportunity" for legislation that his advisers hope Congress will open to him in 1985, as it did in 1981. Tax simplification, like the flag and apple pie, has broad appeal in Washington within both parties, with its promise of lower tax rates for all and its goal of thinning the thicket of preferences and loopholes that many find unfair or too complex.

Since the recession lifted in late *1982, the budget deficit stands as* the major blemish on the economy's performance. With that exception, the re-elected president presides over a more confident, more resilient-looking economy than the United States has seen since the mid-1960s. Trends in social policy that began with Franklin D. Roosevelt and were nourished by subsequent administrations have been sharply reversed. In four years, the cycle of rising taxes, rising interest rates and rising inflation, has been arrested — to the *surprise* of even some of the president's own economists.

The 1981 tax cut takes much of the credit for the economy's remarkable recovery. But the three-year, 25-percent tax rate reduction also gets much of the blame for the administration's current difficulty, the larger deficit.

"The problem is, the president hasn't articulated a strong agenda since he got his 1981 program *through Congress," said Alice M.* Rivlin, former director of the Congressional Budget Office and now a senior fellow at the Brookings Institution. "He increased defense, cut back on social spending and cut taxes. All of that has been accomplished and we have *this huge budget deficit. I don't* know how the president is going to get out of that."

There are some who think he does not have to try with anything other than spending cuts. And their view is at the heart of the policy battle that will preoccupy the offices along Pennsylvania Avenue in the months ahead.

In the first Reagan administration, there was a dispute about whether the president should even care about deficits, with so-called supply-siders in one camp *and more orthodox conservatives* in the other.

Now, however, the administration allows that deficits do indeed matter. They matter because of the burden of the national debt and the cost of carrying it. They matter because financial markets worry that they harbor higher inflation eventually and that leads to unusually high current interest rates, which eventually could snuff out the recovery. Deficits also contribute to the extraordinary strength of the dollar, which foreigners buy to invest in high-interest U.S. securities — a trend that economists expect to slow, bringing down the dollar and provoking painful adjustments.

The division in the administration now is over how to deal with the annual tide of red ink — $174 billion last year and a projected $263 billion in 1989, according to the Congressional Budget Office. One man to watch in the evolving debate is Donald T. Regan, the Treasury secretary and the leader of the supply-siders. He has displaced David A. Stockman, director of the Office of Management and Budget, as the man the president listens to most on economic theory. Another to watch is James A. Baker 3d, the *president's chief of staff, an orthodox* former banker who is the president's chief strategist. He tells the president which theories might work and which will not.

The Baker camp wants the president to consider raising taxes despite Mr. Reagan's campaign pledge to try not to, asserting that there is not enough spending to cut in the budget, not even in the military program.

The supply-siders say nothing could be worse than raising taxes, particularly in a slowing economy. Raising taxes merely re-establishes the big government that Mr. Reagan has vowed to shrink. It would break the new power of the Reagan economy, the strength of business investment and slow the creation of new jobs, the supply-siders add. The tax cuts of 1981, they say, started the country on a road to strong and continuing growth that will eventually bring the deficit into balance by the end of the decade — without any tax increase.

The president could tip either way. In the campaign, Mr. Reagan leaned to the supply side. But at the same time, he signed a deficit reduction bill raising taxes about $50 billion over three years, demonstrating his willingness to compromise.

While there is no administration agenda for 1985 yet, other than the president's promise to simplify the tax code, there are nevertheless many wish lists.

And a half-dozen household names are jockeying for spots in the pecking order around the president. The most intriguing rumor, and one of the most frequent, has Mr. Baker succeeding Mr. Regan as Treasury secretary this year or sometime next year after the dust has settled around the president's new legislative proposals. "Extremely unlikely," a friend of Mr. Baker said. "Crazy," one of Mr. Regan's aides said. But the rumor persists.

The administration view is that most of the top officers will stay in place, at least through most of next year. Mr. Regan and Mr. Stockman might then depart.

(Continued on Page 21, Col. 5)

Brazil to Seek Delay in Paying Foreign Credits

By Alan Riding
New York Times Service

BRASILIA — Brazil will seek to postpone repayment of $49.3 billion in foreign credits coming due over the next five years when it meets its principal creditors in New York this week, according to Brazilian officials.

They also said that Brazil would not request "fresh money" to add to its $98-billion foreign debt and expressed the hope that the banking community would "reward" the country for its improved economic performance over the past 12 months.

"Foreign bankers are aware of the enormous effort made by Brazil," the planning secretary, Antonio Delfim Netto, said a few days ago. "They know that we're over the worst, that we have overcome the crisis without adopting any of the ridiculous things that were proposed, such as a moratorium or a suspension of payments."

The multi-year package proposed by Brazil, albeit the single largest financial transaction ever, is modeled after provisional agreements drawn up recently by foreign banks to cover $48.5 billion of Mexican debt and $20 billion of Venezuelan debt. In all cases, governments will continue to make large interest payments on the principal outstanding.

But unlike Mexico and Venezuela, which have newly elected presidents, Brazil's government will change next March. Some bankers fear this could affect the coming negotiations, although the finance minister, Ernane Galveas, has contended that a multi-annual agreement will be "an element of tranquility" for the next administration.

Brazil's outgoing military regime will propose that repayment of principal maturing between 1985 and 1989 be extended over a 14-year period, beginning next year. It also hopes to follow the Mexican

(Continued on Page 21, Col. 7)

Argentina to Pay Part Of Its Overdue Interest

United Press International

NEW YORK — Argentina will make a $75-million payment on its $800 million of overdue interest on its public-sector debt, the bank working committee said Saturday.

The $75-million payment, which is to be made Tuesday, followed a week of negotiations between Argentine officials and the bank committee headed by William R. Rhodes of Citibank.

Mr. Rhodes said Saturday that the meetings would continue next week "to reach agreement as soon as possible."

Argentina paid $100 million on Sept. 28 and $58 million on Oct. 24.

These payments are barely keeping Argentina from falling deeper into debt, as arrears accumulate at about $450 million a quarter.

But Argentine officials hope to buy time to complete their negotiations with banks and they also hope the latest payment will help overcome negative effects of a reclassification of Argentina's public sector debt to "sub-standard" by U.S. bank regulators.

The regulators also classified some of Peru's debt as sub-standard. Peru's agreement with the International Monetary Fund has collapsed and it is $200 million behind on interest payments.

[Prime Minister Luis Percovich said Friday in Lima that Peru would propose renegotiation of interest on its $12.7-billion foreign debt in talks with creditor banks and the International Monetary Fund in New York later this month, Reuters reported.

[He said that a Peruvian mission that held initial contacts with the banks' advisory committee on *Monday would begin formal talks* with the committee and with IMF officials in the final week of this month.]

Fed Eases Grip on Money Supply

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — The Federal Reserve says that while it "eased appreciably" its grip on the U.S. money supply in September, a majority of its policy makers declined to ease even further in October.

The September relaxation and its 9-to-3 ratification at the policy-

U.S. CREDIT MARKETS

makers' Oct. 2 meeting appeared to have contributed to the decline in short-term interest rates before last week's presidential election.

In a reflection of the easing, the 12-member Federal Open Market Committee set an annual growth rate of 6 percent from October through December for the basic money supply, or M-1, which includes currency in circulation and checking accounts. This was a full percentage point above the "5 percent or slightly less" set in the Aug. 21 meeting. The committee also decided that the Fed "should be prepared to respond a little more promptly in an easing than in a tightening direction."

A summary released Friday of the committee's Oct. 2 meeting showed that three members — two of them Reagan appointees — dissented because they wanted the Fed to ease slightly more.

The committee, the Federal Reserve's senior policymaking body, consists of the seven members of the board of governors and the presidents of five of the twelve *regional Federal Reserve* Banks. The seven other regional bank presidents also attend the meetings but cannot vote.

■ Interest Rates Drop

Robert A. Bennett of the New York Times reported:

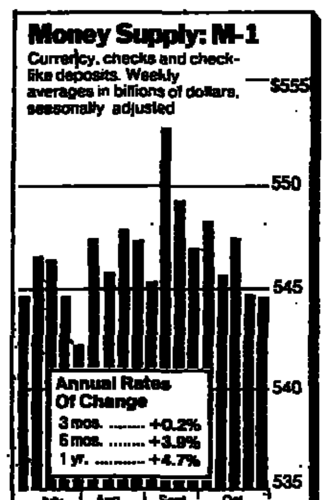
In response to Friday's release of the committee's minutes, interest rates declined and the question being asked in the credit markets was not whether rates would keep dropping, but how quickly and to what extent.

Bond *prices rose Friday. The* government's bellwether 30-year bond, due in August 2014, rose 26-32 point during the day, to close at 107.09. And market participants debated whether the Federal Reserve System would cut its discount rate.

From the opening, the tone of the markets was positive, set by the report that the Producer Price Index fell 0.2 percent in October, the third consecutive monthly decline. This tone was bolstered as the day wore on by a relatively low federal *funds rate and a prediction by* Henry Kaufman, the Salomon Brothers economist, that the Fed would cut its discount rate.

Short-term yields also declined somewhat, with rates on the three-month Treasury bill down four basis points, or hundredths of a percentage point, to *8.66* percent. Rates on six-month bills dropped 10 basis points, to 8.95 percent, and on one-year bills they declined nine basis points, to 9.11 percent.

Meanwhile, a debate continued over whether the Fed would lower its discount rate from the present



NYT

level of 9 percent. The discount rate is the interest rate that the Fed charges on its loans to banks. Because the Fed discourages banks from such borrowings and encourages them to raise funds in the financial markets, even if rates there are higher, the discount rate is more important for its symbolism than its real effect on the markets. Thus, the debate centers on what signal the Fed wants to give the markets.

Mr. Kaufman and Alan C. Lerner, senior vice president and money market economist of the Bankers Trust Co., were among those who argued that the discount rate would be dropped. "We expect the *Fed to underscore its magnanimity* by lowering the discount rate to 8½ percent," Mr. Lerner said.

He added that the Fed had pumped enough money into the economy to cause a 200-basis-point drop in the rate on federal funds — overnight money that banks trade among themselves — in the last two months and, citing the declines in the Producer Price Index and the recent low growth rate of the money supply, predicted that this generosity would continue.

On the other hand, Michael J. Held, an economist at Smith Barney, Harris Upham & Co., said he thought "talk of a discount rate cut is premature." Before the Fed reduces the discount rate, he said, the Fed funds rate should hover at the discount rate or below it. Instead, the funds rate has been trading at 9¼ percent to 9⅜ percent.

Currency Rates

Late interbank rates on Nov. 9, excluding fees.

Official fixings for Amsterdam, Brussels, Milan, Paris. New York rates at 4 P.M. EDT.

	$	£	D.M.	F.F.	ITL	Gldr.	B.F.	S.F.	Yen
Amsterdam	3.146	4.191	112.81 *	36.76 *	0.1814	—	5.578 *	137.25 *	138.37 y
Brussels(a)	59.915	75.23	20.23	6.5903	3.251 *	17.924	—	24.65	24.805 *
Frankfurt	2.947	3.721	—	32.59 *	1.607 x	88.42 *	4.943 *	121.65 *	1.225 *
London (b)	1.2638	—	3.7219	11.4216	2,315.28	4.1978	75.275	3.0616	304.39
Milan	1,847.00	2,313.50	622.25	202.64	—	551.71	30.771	758.12	7.632
New York(c)	—	1.2604	2.9525	9.0825	1,836.50 *	3.3245	59.65	2.429	241.025
Paris	9.111	11.426	307.00 *	—	4.9345 x	272.18 *	15.184 *	373.75 *	3.767 *
Tokyo	241.20	306.15	81.94	26.67	208.49 *	72.66	406.08 *	99.64	—
Zurich	2.4185	3.0612	82.23 *	26.79 *	0.1316	72.79 *	4.0487 *	—	1.0041 *
1 ECU	0.752	0.5988	2.2305	6.8472	1,388.25	2.5155	45.1144	1.8302	181.766
1 SDR	1.00638	0.80075	2.98442	9.16913	1,859.04	3.3674	60.4029	2.4472	242.839

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.8628	Australian $	1.159	1.045	Irish £	0.9569	0.4658	Singapore $	2.147
0.0481	Austrian schilling	20.78	0.0019	Israeli shekel	533.35	0.566	S. African rand	1.7668
0.0166	Belgian fin. franc	60.295	3.3311	Kuwaiti dinar	0.3002	0.0012	S. Korean won	815.70
0.759	Canadian $	1.3175	0.4175	Malay. ringgit	2.395	0.006	Span. peseta	165.70
0.0936	Danish krone	10.685	0.116	Norw. krone	8.62	0.1177	Swed. krona	8.495
0.1613	Finnish mark	6.2005	0.0499	Phil. peso	20.052	0.0255	Taiwan $	39.27
0.0082	Greek drachma	121.85	0.0064	Port. escudo	156.944	0.0373	Thai baht	26.795
0.1279	Hong Kong $	7.82	0.281	Saudi riyal	3.5588	0.2723	U.A.E. dirham	3.6725

£ Sterling: 1.2018 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000

N.Q.: not quoted; N.A.: not available.

Markets Closed

Stock markets were closed Saturday in Japan. On Monday major banks in the United States and Canada are closed for holidays and financial markets are closed in Taiwan.

U.S. Consumer Rates
For Week Ended Nov. 9

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	10.17 %
Money Market Funds Donoghue's 7-Day Average	9.79 %
Bank Money Market Accounts Bank Rate Monitor Index	9.48 %
Home Mortgage FHLB average	14.91 %

AT&T Plans 2 Telephone Computers

By Andrew Pollack
New York Times Service

NEW YORK — American Telephone & Telegraph Co. is planning to introduce two products that will combine personal computers and telephones in a thrust into the office automation market.

One product, the 7300, will be a powerful computer that will compete with International Business Machines Corp.'s latest model, the PC-AT.

AT&T also is planning to introduce a less expensive machine combining computers and telephones, to be aimed at executives who are not heavy users of personal computers.

The machine would have a touch-sensitive screen with an optional keyboard. It would be intended for executives who want to do basic calculations and keep their phone list on the computer. When the executive points at a name on the screen, the computer would dial the number automatically.

Both machines are being made for AT&T by Convergent Technologies Inc. of Santa Clara, *California, and are expected to be introduced* early next year. Details of the 7300, which analysts consider the more important machine, came to light in a filing that AT&T was required to make with the Federal Communications Commission because the computers might connect with the phone system.

According to the filings, the computer would have a built-in modem, a device that converts digital computer signals into the analog waves that can be carried by the phone lines. The modem will transmit at 1200 baud, or about 120 letters per second.

The price is expected to range from $4,000 to $7,000 depending on the configuration, according to analysts.

■ Profit Margin Appeal

In Washington, AT&T Communications has asked the Federal Communications Commission to either stop regulating its profit margin or raise it, saying competition has made its earnings "highly volatile," United Press International reported.

In the 74-page appeal filed Friday, AT&T's long-distance subsidiary said continued regulation of its rate of return is "anachronist and inappropriate" in light of post-divestiture battling for a bigger piece of the $50 billion annual long-distance phone business in the United States.

The comments were in response to a broad-ranging inquiry the FCC began earlier this year into the regulation of profits from interstate phone traffic.

International Bond Prices - Week of Nov. 8

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Amt	Security	Str/Conv	Issue Pr.	Mid Pr.	Yield
dm 100	Eec Europ Econom Com	7½ % '94 Nov s	100	100	7.50
cn$ 70	Ottawa-Carleton	12½ % '94 Dec s	100	99	12.65
$ 75	Suncor Inc	12⅝ % '91 Nov s	100	99½	12.73
$ 100	Mitsubishi Fin(hk) x/w	12¾ % '89 Nov s	100	100½	12.48
$ 75	City Federal Savings	12½ % '89 Dec s	99¾	99¼	12.69
$ 100	Finnish Export Cr X/w	12¾ % '89 Nov s	100	101¼	12.39
$ 100	Toronto-Dominion Bank	12½ % '88 Apr s	100	99½	12.47
dm 200	Beecham Group	7⅜ % '94 Nov s	100	98¾	7.56
dm 150	Denmark	7⅝ % '89 Nov s	100	99½	7.58
dm 150	Denmark	7¾ % '94 Nov s	99¾	99¼	7.86
dm 250	New Zealand	7¼ % '91 Oct s	100	98¼	7.58
dm 150	Kaufhof Finance	3¼ % '94 Nov s	100	109	2.23
$ 100	Mitsui Trust Fin (hk)	12⅝ % '89 Nov s	99¾	101¼	12.52
$ 150	Bankers Trust Nv	12⅝ % '89 Oct s	99⅝	100	12.62
$ 100	North Amer Philips	12⅝ % '91 Oct s	100	102	12.42
cn$ 100	Transalta Utilities	13¼ % '94 Dec s	100	101	13.06
$ 80	General Foods Cred Co	12 % '89 Apr s	100	99½	12.10
$ 50	Mortgage Bank Denmark	13 % '93 Jan s	100	100	12.97
$ 100	Ralston Purina	12¼ % '89 Oct s	99¾	103	11.90
$ 100	Export Develop Corp	12 % '89 Nov s	100	100⅛	11.93
£ 100	Ici Finance 125.00	8½ % '99Dec c	100	102½	8.20
dm 100	United Technologies	7¼ % '91 Oct s	100½	100	7.25
$ 100	Kansai Electric Power	12½ % '89 Oct s	100	100½	12.35
$ 100	Long-Term Credit Bank	12⅞ % '91 Nov s	99¾	102⅝	12.37
$ 75	Ic Industries	13½ % '91 Oct s	100	100	12.81
$ 75	Canadian Pacific	12½ % '90 Oct s	100	100	12.49
dm 100	Mortgage Bank Denmark	7⅜ % '91 Oct s	100	100	7.87
$ 600	Chevron Capital	12¼ % '89 Oct s	99¾	99¾	12.31
$ 100	Commonwealth Bk Austr	12⅜ % '89 Nov s	100	101¾	11.89
dm 200	Robobank Nederland	s	100	99¾	7.73

STRAIGHT BONDS
All Currencies Except DM

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
	AUSTRALIA						
$ 25	Australia	5½	'85 May	97½	10.93	10.97	5.64
$ 25	Australia	5¾	'85 Nov	95	11.40	11.42	6.05
$ 50	Australia	8¾	'86 Jun	96	11.60		9.11

HIGHEST YIELDS
to Average Life Below 5 Years

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 35	Brazil	8¼	'87 Dec	81	16.63	23.98	18.19
$ 15	Ward Foods O/s Capita	5¾	'88 Nov	64	19.50	21.38	8.98
$ 15	Venezuelan Telephone	8¾	'87 Dec	82	16.03	20.36	10.06
$ 20	Colombia	8¼	'88 Feb	83½	15.02	19.29	9.88
$ 3	Reliance Transcontine	7¼	'85 Feb	97	19.86	19.14	7.47
$ 14	Reliance Transcontine	6¼	'88 Feb	76	16.23	17.03	8.22
$ 40	Mexico	8½	'87 Mar	90	13.46	16.69	9.44
$ 30	Bauxites De Guinee	8	'90 Dec	80	12.89	16.29	10.00
$ 20	Bicc Finance	7⅝	'87 Feb	90½	12.86	16.26	8.56
ff 100	Charter Consolid O/s	7½	'87 Oct	82	15.67	16.34	9.15
cn$ 50	Montreal City	17	'89 Mar	105	15.25	15.88	16.19
ff 100	Ciments Lafarge	7½	'87 Jul	88½	12.84	14.97	8.47
ff 100	Rhone-Poulenc	7½	'87 Apr	89½	12.72	14.91	8.38
cn$ 40	Hudsons Bay	10½	'89 Apr	91	13.26	14.40	11.54

HIGHEST YIELDS
to Average Life Above 5 Years

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 50	Dome Petroleum	10	'94 Jul	67	17.19	18.00	14.93
$ 30	Mexico	8¼	'91 Dec	78½	13.65	15.07	11.15
$ 50	Hudsons Bay	10	'94 Feb	83½	13.16	14.38	11.98
$ 50	Ingersoll-Rand Intl	13¼	'95 Oct	95	14.17	14.33	13.95
$ 40	Trailer Train Finance	13¼	'92 Nov	96	14.11	14.31	13.80
$ 125	Michelin	10	'94 Aug	81	13.61	14.26	12.35
$ 75	Eib Europ Invest Bank	8¾	'96 Dec	79	12.20	14.24	11.23
$ 50	Macmillan Bloedel	9¼	'93 Mar	79	13.58	14.22	11.71
$ 50	Genstar	14¼	'91 Apr	102½	14.08	14.01	14.39
cn$ 50	Canadian Utilities	17	'96 Dec	113½	14.55	14.00	14.98
£ 12	Rothschild Inv Holdin	14½	'90 Aug	104½	13.29	13.29	13.88
cn$ 40	Royal Bank Of Canada	9	'92 Feb	83½	12.57	13.08	10.78
£ 22	Peugeot	14	'98 Aug	104½	12.80	12.73	13.40
cn$ 40	Royal Bank Of Canada	10	'94 May	87	12.37	12.71	11.49

HIGHEST CURRENT YIELDS

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 175	Mexico	18½	'85 Jul	105	10.49		17.62
$ 130	Mexico	17½	'85 May	101	13.37		17.33
$ 75	Pemex Petroleos Mexic	17½	'86 Nov	103	15.61		16.99
$ 100	Caisse Franc Matieres	16⅞	'96 Nov	100	16.74		16.75
$ 40	Gulf States O/s Finan	17½	'88 Oct	105½	15.40		16.59
$ 75	Ohio Edison Finance	17½	'88 Oct	106	15.33		16.51
$ 60	Consolidated-Bathurst	17½	'88 Nov	106½	15.21	14.88	16.43
$ 70	Northern Indiana Publ	17¼	'88 Oct	105	15.44		16.43
$ 75	Ohio Edison Finance	17¼	'87 Jul	105	14.72		16.43
cn$ 50	Nacional Financiera	17¾	'87 Mar	101	17.02		17.57
cn$ 60	Hudsons Bay	18	'87 Nov	106½	15.33		16.90
cn$ 10	Saint-Laurent	17¼	'87 Mar	102½	15.75		16.83
cn$ 60	General Motors Accept	18	'87 Oct	107½	14.60		16.74
cn$ 40	Consolidated-Bathurst	17¼	'87 Feb	104	14.92		16.59

DM STRAIGHT BONDS

(Continued on Page 18)

Eurobond Market Ends Week on Confident Note

(Continued from Page 15)
standard base rate is six-month Libor, although a number of issues have been pegged to the three-month rate with a handful of these reset monthly and some weekly.

The Chemical issue, however, is the first to be set monthly calculated on the one-month rate — making it more of a money market instrument than traditional issues.

A $400-million FRN for Belgium also offered a new, if somewhat complicated feature, aimed at encouraging institutional investors to pick up extra return by playing the yield curve. This was the aim of those issues where the coupon based on the three-month rate was reset monthly or weekly.

As very short-term rates are normally lower than longer-term rates, there is always a temptation for institutional investors to mismatch the (very short-term) maturity on the money they borrow with the (longer-term) maturity of the assets bought with the borrowed funds. But there is always a danger that exceptional circumstances will drive short-term rates higher than long-term rates, making mismatching of assets and liabilities a risky business.

The Belgian issue addresses this risk. Interest on the 20-year notes (which investors can redeem after 15 years) is set at 1/16-point (6.25 basis points) over the six-month Libor calculated monthly. Like the other previous issues with mismatched coupon and fixing dates, this would not protect yield-curve players from losses if one-month rates suddenly soared above the six-month rate.

Thus, if at any coupon fixing one-month Libor plus ⅛-point is equal to or higher than the six-month Libor, two things change: The next interest period will run for six months rather than one month, and the margin will rise to ⅛-point over the six-month rate.

Lead manager Kidder Peabody claims three advantages for this formula: The current ½-point spread between one-month funding costs and six-month Libor means mismatching can add about 0.30 percent to the yield — lifting the net margin to 36.25 basis points (which Kidder notes is "far superior to the 16 basis points margin available on the kingdom's previous issue"); protects investors against mismatch losses if there is an inversion in the yield curve; and permits the borrower to achieve a lower cost of borrowing than would otherwise be available.

Also worth noting is a joint effort by Credit Suisse First Boston Ltd. and Morgan Guaranty Trust Co. of New York to set a common market standard in calculating the value of FRNs between coupon dates.

"The present proliferation of margin calculations is not only confusing but frequently misleading," the banks said in a joint statement. "The essence of our approach is that any measure of value should be consistent over time, such that in the event that market prices and interest rates remain unchanged, the measure of value also remains unchanged. It is an unfortunate consequence of other existing FRN value estimates that this condition does not hold."

In the fixed-coupon sector, borrowers continued to rely heavily on the appetite for warrants as a means to reduce their overall lending costs. In all, five issues totaling $500 million were marketed with options to buy other fixed-coupon bonds. But the demand for options evaporated last week, in part due to uncertainty about where rates are headed and in part due to the perceived very high price.

The worst hit was the General Mills warrant which, for five years, can be used to buy 12⅜ percent bonds due in 1991. Offered at $39.50, the paper ended the week at $26, a drop of 34 percent.

The least damaged of the warrants was Merrill Lynch's five-year paper that can be used to buy 12⅛ percent bonds of 1994. It dropped only 9.3 percent from an offering price of $37.50 to $34. The Merrill package was notable in that the "host" bond — $100 million of 12½ percent, 10-year bonds — are callable as the warrants are exercised but at a premium starting at 103 percent and declining to 101 after 1989.

Most recent "host" issues have been callable as the warrants are exercised at a modest premium of 101. The resulting uncertainty about the life of these issues and the widely regarded inadequate protection to investors has sparked some controversy about the value of these issues.

At the same time, whereas most warrant-bonds have been non-callable, Merrill's 12⅛s are callable at 101 in 1989 if less than $15 million worth of warrants have been exercised. And going a bit further in eroding value for investors, Toronto-Dominion sold five-year warrants to buy Canadian dollar 12½ percent bonds due in 1994 which can be called at par in 1989. Curiously, since the call feature would seem to render the warrant useless, these warrants dropped only 7.7 percent, to 30 dollars from an offering price of 32½.

In the "plain vanilla" or no-frills sector, the Federal National Mortgage Association sold $300 million of seven-year notes at par bearing a coupon of 11½ percent — the first U.S. agency borrowing since the Treasury's own foray last month. Fannie Mae saved an estimated 11 basis points by issuing paper here rather than in New York, bankers said.

While more issues are expected from the Treasury and government agencies, the sale of such paper is restricted to institutional investors since individuals — mostly via the Swiss and Luxembourg banking community — are put off by the absence of any provision in the loan contract to protect investors if the United States ever decides to reimpose a withholding tax on interest payments.

Traditionally, the issuer assumes the obligation to pay such taxes or redeem the bond.

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
FLOATING RATE NOTES							
Banca Commerciale Italiana Finance	$300	1996	⅛	100	—	—	Over 6-month Libor. Minimum coupon 5¼%. Callable at par on any interest payment date after 1985. Fees 0.475%.
Banco di Roma	$150	1991	1/16	100	—	99.70	Over 6-month Libor for first 4 years and flat Libor thereafter. Minimum coupon 5¼%. Redeemable at par in 1989, and callable at par on any interest payment date after 1985. Fees 0.24%. Denominations $10,000. Floating rate depositary receipts.
Belgium	$400	2004	1/16	100	—	99.55	Over 6-month Libor, set monthly. Minimum coupon 5%. If 1-month Libor plus ⅛ is equal to, or higher than, 6-month Libor, interest will be 6-month Libor plus ⅛. Redeemable at par in 1999. Fees 0.50%. Denominations $250,000.
Carteret Savings & Loans	$125	1994	⅛	100	—	99.70	Over 6-month Libor. Minimum coupon 5¼%. Callable at par on any interest payment date after 1986. Backed by U.S. government securities. Fees 0.75%. Denominations $50,000.
Chase Manhattan	$400	2009	⅛	100	—	99.80	Over 3-month Libor. Minimum coupon 5¼%. Callable at par on any interest payment date after 1985. Fees 0.19%. Denominations $10,000.
Chemical New York	$300	1999	1/16	100	—	99.68	Over 1-month Libor. Minimum coupon 5¼%. Callable at par in 1987. Fees 0.291%.
Hong Kong Mass Transit Authority	$75	1994	⅛	100	—	99.58	Over 6-month Libor. Minimum coupon 5¼%. Redeemable at par in 1989, and callable at par on any interest payment date after 1985. Fees 0.50%.
Mellon Bank	$250	1996	⅛	100	—	99.95	Over 3-month Libor. Minimum coupon 5¼%. Callable at par on any interest payment date after 1985. Fees 0.12%. Denominations $50,000.
Ireland	£100	1996	⅛	100	—	99.40	Over 3-month Libor. Minimum coupon 5¼%. Callable at par in 1989. Fees 0.62%. Denominations $50,000.
Banco di Napoli Int'l	ECU 30	1989	3/16	100	—	—	Over 6-month offered rate for ecu deposits. No minimum coupon. Callable at par in 1988. Floating rate certificates of deposit.
San Paolo Lariano Bank	ECU 45	1989	⅛	100	—	—	Over 6-month offered rate for ecu deposits. Floating rate certificates of deposit.
FIXED-COUPON							
Beatrice Foods	$100	1989	12	100	12	97.13	Callable as warrants are exercised at 101. 20% due on subscription and balance in April 1985.
Beatrice Foods	0.10	1989	—	$30	—	$26	Warrants are exercisable at par into company's noncallable 12⅛s of 1991.
Federal National Mortgage Association	$300	1991	11½	100	11½	97.50	Noncallable.
General Mills	$100	1991	12	100¼	11.95	—	Callable as warrants are exercised at 101 until 1989 and at a declining premium to par thereafter.
General Mills	0.10	1989	—	$39½	—	$26	Each warrant is exercisable at par into a $1,000 note of company's noncallable 12⅜ bonds of 1991.
Macy Credit	$100	1995	11¾	100	11¾	97.38	Callable at par in 1991. Payable Feb. 5, 1985.
Merrill Lynch	$100	1994	12½	100	12½	98.00	Callable as warrants are exercised, at 103 in 1985, at a declining premium until 1989, and at 101 thereafter. Payable Dec. 21.
Merrill Lynch	0.10	1989	—	$37½	—	$34	Each warrant is exercisable at par into a $1,000 note of company's 12⅛s of 1994, callable at 101 in 1989 if less than $15 million worth of notes are exercised.
Mitsui Finance Asia	$100	1992	12¼	99¾	12.31	97.38	Callable as warrants are exercised at 101 until 1989 and at par thereafter. Payable Feb. 20, 1985.
Mitsui Finance Asia	0.10	1989	—	$36	—	$29	Warrants are exercisable at par into company's noncallable 12⅛s of 1992.
Oesterreichische Kontrollbank	$50	1994	12	99¾	12.04	98.25	Noncallable.
Pacific Gas & Electric	$75	2000	12	100	12	97.50	Redeemable at par in 1992, and callable at par in 1997. Payable Jan. 9, 1985.
Svenska Handelsbanken	$100	1989	12⅜	100	12⅜	—	Callable as warrants are exercised, at 101 in first 2 years, and at 100½ thereafter. Payable Feb. 19, 1985.
Svenska Handelsbanken	0.10	1989	—	$30	—	$23	Warrants are exercisable at par into company's noncallable 12¼s of 1990.
Société Luxembourgeoise de Centrales Nucléaires	DM 100	1994	7⅜	99½	7.45	98	First callable at 101 in 1992.
European Community	ECU 50	1990	10⅛	open	—	99.50	Sinking fund to start in 1988 to produce a 5-yr average life. Price to be set Nov. 16.
Montreal	C$ 60	1991	12¼	100	12¼	98	Noncallable.
Toronto-Dominion Bank	C$ 50	1989	12⅜	100	12⅜	98.25	Callable as warrants are exercised, at 101¼ in 1985 and at a declining premium to par.
Toronto-Dominion Bank	0.05	1989	—	C$32½	—	C$30	Each warrant is exercisable at par into a C$1,000 note of company's 12½s of 1994, callable at par in 1989.
Amsterdam-Rotterdam Bank	DF 150	1989	7¼	99½	7.37	98.75	Noncallable private placement.
Barclays New Zealand	NZ$ 20-25	1989	open	open	—	—	Coupon indicated at 15⅛-15½%.
WARRANTS							
ITT Financial	0.10	1989	—	$48	—	$33	Each warrant is exercisable at par into a $1,000 note of company's noncallable 12⅝s of 1994.
EQUITY-LINKED							
Mitsubishi Metal	$100	1989	open	open	—	99.50	Coupon indicated at 8%. Each $5,000 bond with one warrant exercisable into $5,000 worth of company's shares at an anticipated 2½% premium. Terms to be set Nov. 13.
Star Manufacturing	$50	2000	3½	100	3½	98	Semiannually. Convertible at 2,697 yen per share, a 9.63% premium. Exchange rate set at 241.85 yen per dollar. Payable in Feb. 1985.
Philips Gloeilampenfab.	DM 250	1991	3½	100	3½	101.50	First callable at par in 1989. Each 1,000-mark note with one warrant exercisable from April 1985 to Nov. 1989 into 20 company's shares at 63 guilders each, a 14.75% premium.
Swiss Bank Corp.	DM 200	1994	3⅛	100	3⅛	103	Callable at par after 1991. Each 5,000-mark note with 2 five-year warrants, exercisable into a total of 14 company's bearer participation certificates at 296 Swiss francs each (no premium).

OPEC Ministers Said to Plan November Meeting

The Associated Press

RIYADH — The oil ministers of the Organization of Petroleum Exporting Countries are expected to hold another consultative meeting at the end of November to discuss the situation on the world oil market, according to Saudi Arabia's state-owned radio.

Radio Riyadh quoted unidentified oil sources in its Saturday report. It did not say where the ministers of the 13-nation cartel would meet.

On Oct. 31, following a three-day emergency consultative session in Geneva, the ministers announced plans to lower their aggregate production ceiling to 16 million barrels per day from 17.5 million barrels. The measure was taken to prop up the OPEC pricing structure in the face of a price-cutting war on the world market.

[Analysts and traders told Reuters in New York last week that reports that Nigerian crude oil production was as high as 1.6 million barrels per day in late October and early November, significantly above its OPEC-mandated quota and offering a new challenge to the OPEC accord. Price cuts by Nigeria, an OPEC member, and nonmembers Norway and Britain led to the production limits.]

The United Arab Emirates' oil minister, Mana Saeed al Oteiba, said at the conclusion of the Geneva meeting that the cartel was prepared to slash its production ceiling "again and again" if necessary to protect its benchmark price of $29 per barrel for Arab light crude.

However, the United Arab Emirates is known to want modifications in the so-called differential system which determines prices of different grades of crude in ratio to the benchmark crude. The issue of differentials was not resolved at the Geneva meeting.

OPEC holds two regular meetings a year; the next one is set for December in Geneva.

■ Lease Sales Postponed

In Washington, the U.S. Interior Department said it has postponed for at least a month December's planned sale of oil and gas leases in the Gulf of Alaska because of "uncertain" industry interest, The Associated Press reported Friday.

The Dec. 12 offering was to have covered 13.7 million acres in the Gulf and the nearby waters of the Shelikof Strait and the Lower Cook Inlet.

The department's Minerals Management Service said in a statement that it expected to announce in mid-January whether it would go forward with the sale.

Six lease offerings have been held in the area since 1976, with 212 leases issued for $1.1 billion.

International Bond Prices - Week of Nov. 8

Provided by **White Weld Securities, London, Tel.: 623-1277;** a Division of Financière Crédit Suisse-First Boston

Prices may vary according to market conditions and other factors.

(Continued from Page 16)

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 50	Pyhrn Autobahn	6¾	'89 Sep	97¾	6.81	7.15	6.39
dm 70	Tauernautobahn Ag	5½	'93 Apr	91½	6.86	7.75	6.01
dm 50	Tauernautobahn Ag	9¾	'94 Mar	113	7.84		8.74
dm 100	Vienna City	9⅜	'92 Aug	107	8.11	7.88	8.76
dm 100	Voest-Alpine	8½	'85 Jun	101	6.52	6.50	8.42
dm 100	Voest-Alpine	8½	'88 Oct	103	7.57	7.14	8.25
dm 100	Voest-Alpine	6¾	'89 Jun	98	7.26	7.41	6.89
	BELGIUM						
dm 100	Belgelectric Finance	10¼	'89 Jun	108½	8.17		9.48
dm 100	Belgelectric Finance	11	'91 Oct	115¼	8.03		9.54
	CANADA						
dm 200	Canada	8½	'89 Apr	106	6.88		8.02
dm 100	Air Canada	9	'92 Aug	108¼	7.55		8.31
dm 100	Air Canada	7⅜	'93 Jan	101¼	7.14		7.28
dm 100	Amca Intl	8¼	'91 Dec	101½	7.96		8.13
dm 100	Brascan Intl	8½	'88 Oct	102½	7.72	7.36	8.29
dm 100	Canadian Imperial Bk	7	'88 May	100	6.98		7.00
dm 100	Export Develop Corp	6⅞	'90 Oct	100	6.87		6.88
dm 100	Manitoba Hydro-Electr	6¾	'87 Jun	100¾	6.40	6.24	6.70
dm 200	Manitoba Province	7⅜	'93 May	101½	7.12		7.27
dm 200	Manitoba Province	7⅝	'94 Oct	101¼	7.44		7.53
dm 100	Montreal City	8½	'86 Jul	101¼	7.62	7.57	8.40
dm 150	Montreal City	7	'87 Jul	101	6.56	6.52	6.93
dm 100	Montreal City	7	'89 Apr	101¼	6.52	6.17	6.88
dm 100	Montreal City	6	'92 Sep	96¼	6.63	7.03	6.23
dm 100	Montreal City	6¾	'93 Jun	98¾	6.94	7.06	6.84
dm 80	New Brunswick Provinc	6¾	'87 Nov	99¾	6.84	6.89	6.77
dm 80	Newfoundland Province	8	'86 Aug	101¼	7.17	6.86	7.90
dm 100	Newfoundland Province	6¾	'87 Nov	101	6.37	6.20	6.68
dm 100	Newfoundland Province	6½	'88 Apr	100	6.48	6.49	6.50
dm 100	Nova Scotia Power	7	'87 Dec	100½	6.81	6.66	6.97
dm 100	Nova Scotia Province	7¾	'86 Dec	101¾	6.81	5.98	7.62
dm 100	Ontario Hydro-Electr	7½	'86 Dec	101¼	6.82	6.27	7.41
dm 100	Ontario Hydro-Electr	6½	'87 Jun	101½	5.83	5.44	6.40
dm 100	Ontario Hydro-Electr	6½	'88 Mar	100½	6.31	6.18	6.47
dm 100	Ontario Province	6	'87 Sep	99¾	6.09	6.13	6.02
dm 100	Quebec Hydro	7½	'89 May	103¼	6.62		7.26
dm 150	Quebec Hydro	10¼	'91 Dec	113½	7.70		9.03
dm 200	Quebec Hydro	8	'93 Feb	104½	7.25		7.66
dm 100	Quebec Hydro	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ICELAND

[illegible]

IRELAND

[illegible]

ITALY

[illegible]

JAPAN

[illegible]

LUXEMBOURG

[illegible]

MEXICO

[illegible]

MISCELLANEOUS

[illegible]

NETHERLANDS

[illegible]

NEW ZEALAND

[illegible]

NORWAY

[illegible]

PHILIPPINES

[illegible]

SOUTH AFRICA

[illegible]

ZERO-COUPON BONDS

[illegible]

SOUTH AMERICA

[illegible]

SPAIN

[illegible]

SUPRANATIONAL

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

UNITED KINGDOM

[illegible]

UNITED STATES AMERICA

[illegible]

CONVERTIBLE BONDS

EUROPE

[illegible]

JAPAN

[illegible]

MISCELLANEOUS

[illegible]

UNITED STATES AMERICA

[illegible]

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

Amt	Security	%	Mat	Price	Conv. Period		Conv. Price p/sh		Yld
$ 25	Texas Intl Airl 68.97	7½	'93 Aug	65	15 Dec 78	maturity	$ 14 1/2	9.27	
$ 160	Elders Nv 236.80	11⅝	'94 Jul	108½	28 Sep 84	7 Jul 94	au$ 4.200 au$ 3.620	7.08-	4.00
$ 20	Toyo Menka Kaisha	7¾	'96 Mar	84	1 Dec 80	27 Mar 96	Y 193 - 216.747	5.66-	2.97
$ 15	Mussmatsui Mipe 58.00	8	'94 Jul	87½	30 Sep 81	maturity	$ 26	5.26	10.83
$ 50	Ina O/s Finance 21.87	8⅞	'00 Sep	98½	1 Apr 81	25 Aug 00	$ 42	9.51	7.81
$ 50	South Calif Edi 61.78	12½	'97 Aug	142	7 Jan 83	maturity	$ 16.180	2.36-	8.80
$ 50	Sumitomo Metal Indust	7	'95 Sep	81	2 Feb 81	20 Sep 95	Y 175.70 - 195.994	2.42	3.93
$ 35	Inchcape Bermu 157.23	6¾	'92 Apr	79	15 Oct 77	18 Mar 92	p 385 - p 524.299	8.73	4.76
$ 50	Dalet Inc	8½	'94 Aug	77½	1 Nov 79	30 Aug 94	Y 845 - 918.648	9.49	9.14
$ 25	Sankyo Electric Co	8¼	'95 Mar	101	1 Apr 80	20 Mar 95	Y 577.50 - 588.257	6.93-	1.63
$ 25	American Medica 48.26	9¼	'97 May	116	30 Aug 82	maturity	$ 20.720	2.82	2.57
$ 25	Esselte Ab	7¾	'89 May	97½	15 Sep 79	5 May 89	skr 153 - skr 297.523	.83	2.76
$ 35	Babcock Nederland	7	'92 Oct	89	17 Apr 78	15 Sep 92	p 113 - p 156.195	.88	5.94
$ 30	Aga Ab	9½	'96 Sep	171	1 Feb 82	15 Jun 96	skr 178 - skr 289.512	7.34-	1.63
$ 25	Thorn Intl Finance	7	'88 Jul	91	1 Nov 78	10 Jul 88	p 348 - p 520.294	2.78	2.42
$ 30	Asahi Optical Co	7	'94 Mar	94	1 Nov 79	15 Mar 94	Y 457.50 - 499.841	4.85-	1.57

Explanation of Symbols

CN$	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
NMD	Norwegian Kroner - DM		

Over-the-Counter

	Div.	Yld.	Sales in 100s	High	Low	Last	Net Ch'ge
A							
A M Fd			47	4	3⅝	3⅞	
AA Imp			155	3	3	3	
ABS h	.15e	2.7	22	5½	5½	5½	
AEC s	.24f	2.0	21	12	11¾	11¾	— ¼
AFP			435	3¼	2⅞	3¼	+ ⅜
AMCbl			218	2⅞	2½	2⅝	
AT&E			841	5½	5	5¼	
ATE			40	4⅛	4	4	— ⅛
AVM Cp			17	6⅝	6⅝	6⅝	
Abrams	.32b	3.6	2	9	9	9	
AcapRs			98	4⅝	4¼	4¼	— ⅛
Aceto	1		117	20¾	20¼	20¾	+ ½
ACMAT			28	7	6½	6½	— ½
AcmeG	.20a	1.8	2	11	11	11	
AcroEn			194	2⅞	2½	2⅝	+ ¼
Acro un			20	3	2⅝	3	+ ⅜
Actvsn			1185	1⅝	1½	1½	— ⅛
Actmed			34	22	21¾	22	+ ¼
AdlsnW	.70	2.2	382	32¼	29¾	32	+ 2¼
Adia			608	14¼	13¾	13¾	+ ½
AdvRos			206	5½	5¼	5½	+ ¼
AdCpt			28	2½	2½	2½	
AdvGen			189	4¼	3½	3½	— ¾
AdvSem			1786	16½	16¼	16½	
AdvTel			111	4¾	4½	4½	— ½
Aequtrn			336	3⅝	2⅞	3⅝	+ ⅛
AerSvc			530	2	1⅞	1⅞	— ⅛
AerSys			1162	2¼	2	2⅛	
AfilBcp	1.00	4.3	10	23½	23	23	— ½
Agnico g	.12e	1.1	498	11⅛	11	11⅛	— ⅛
AlamoS	.60	2.6	34	23	23	23	
Alanco			8⅝		⅞	⅞	
AlskAp			894	1⅝	⅞	⅞	
AlskBc			145	5	4⅝	5	+ ⅜
AlskMt	1		939	17¾	15	17	+ 1¼
AlskNt			39	13½	13¼	13½	+ ¼
Alaten	2.20	5.1	100	43	41¾	43	
Alcon wt				7⅝	7⅜	7⅜	— ⅛
AlexEn			172	3	2⅝	2⅞	
Allcoln	.30e	.6	9	51	51	51	
AllSea s			625	12½	11¾	12¼	— ¼
AlenOrg	.46a	1.1	27	45½	45½	45½	
AlldCap	1.00a	5.6	98	18⅜	17¾	17¾	— 1
AlldRsh			110	3	2⅞	3	+ ⅛
AllyGar			609	9⅝	9	9⅝	
Alfair			27	7	7	7	
Altrnicr			2326	6⅞	4¾	6⅛	+ 1⅜
Altron			121	11⅝	11½	11½	— ⅛
Amrfrd	.07e	1.2	24	6	6	6	
Amribc	1.32	6.1	20	21½	21¼	21½	+ ¼
AmAgor	1.00	4.1	38	24½	24	24½	+ ½
ABkCt s			17	15	14½	15	+ ½

	Div.	Yld.	Sales in 100s	High	Low	Last	Net Ch'ge
Bnkest s	1.20	4.5	118	26½	25½	26½	+ ½
BnkFst			531	8⅝	8	8½	+ ½
BkrNte			48	3⅛	3⅝	3⅝	— ⅛
BTrSC s	1.40	4.2	383	33	31½	33	+ ¼
BknmG			38	13⅛	13¼	13¼	— ¼
Bklowa	1.56	3.5	107	45	41½	45	+ ½
BkMArm pf	2.50	12.5	1	20	20	20	
BarbGr			231	4¼	3⅝	3½	— ¾
Barden	1.00	3.6	3	28	27½	27½	
Barris			1337	7½	6¼	7⅜	+ ⅜
BasESc			1060	1⅞	1⅛	1⅛	— ¼
BsRInt	t		9887	¼	⅛	⅛	
Bastn			192	3⅝	3⅛	3⅛	— ⅛
BaukNo	.90	8.6	3	10½	10½	10½	
BayFdl	.12e	3.0	40	4	4	4	
Beechm	.15e	3.3	334	4⅝	4½	4½	— ⅛
Begley	.68	4.4	24	15½	15½	15½	
BlFuse s			809	12¼	10¾	12¼	+ 1½
BelIW	.10	1.1	242	9¾	8⅞	9½	+ ½
BellPtr			111	3⅝	3¼	3¼	— ¼
Belwet	t		439	3½	3¼	3⅜	+ ⅛
Benhm un			37	37	35	35	— 2
Berkley	.32	2.2	1039	15	14½	14¾	— ¼
Berkine	.50	5.1	12	9¾	9¾	9¾	
BerkGs	2.00	10.5	5	19	19	19	
BerkHa				800	300	300	
BibbCo	.80	2.9	359	27½	24½	27½	+ 1
BigBear			1253	10	9⅝	9⅝	— ⅛
BingKg			81	4	3⅝	4	
BioMed			151	3⅛	2⅞	3	
BMed un			26	4⅞	4⅛	4⅛	— ⅛
Biomet			182	12¾	12¼	12¼	
BioTcC			627	2⅝	2	2⅛	— ¼
BlatcR			253	8¼	7⅝	8	— ¼
Birdl pf	1.85	16.8	240	11	10	11	+ 1
Birtchr			116	7½	7	7	— ½
Bitco	.40	5.0	259	8½	6½	8	+ 1½
Bioslus			74	4⅝	4½	4½	
BlackD	1.00	3.6	31	28	27	28	+ 1
Blomfld			177	2¾	2⅝	2¾	
BlwldSp		1.9	376	16¼	14	15½	+ 1½
BlRdg un				11	11	11	
Bluesky			70	3⅛	3	3	— ⅛
BlueOG g			74	5¾	5⅝	5¾	+ ⅛
Blyvoor	1.11e	10.7	896	10⅝	10¼	10⅝	+ ⅛
BootB s	1.35	4.9	129	27½	27¼	27½	
Bohemo	.40b	4.0	160	10	9¾	10	+ ¼
BooleB			373	7½	6¼	7½	+ 1¼
BoonEl	t		64	5¾	5⅝	5⅝	
BoothF s	.30	1.4	105	21⅛	21	21	— ⅛
Bowatr	.05e	2.3	941	2¼	2	2	—
BradyW	.05e	.2	242	27¾	27	27¾	+ ¾
Bralrn g	.05e		38	4⅝	4⅛	4¼	+ ⅛

(Continued on Page 20)

Over-the-Counter

(Continued from Page 19)

Chicago Exchange Options

For the Week Ending Nov. 9, 1984

Consolidated Trading Of AMEX Listing

Week ended Nov. 9

	Sales	High	Low	Last	Ch'ge
PrenH	4,382,000	74	49¾	73	+21¼
WangB	1,791,600	28⅝	27¼	27¼	+⅛
EchoB	1,498,700	10⅞	10¼	10¼	+½
DomeP	1,390,900	2½	1⅞	2	+1⅛
BAT	1,092,300	3⅝	3¼	3½	—⅛
GlfCd	878,700	14¼	13¼	13½	+¼
Heizer	655,500	8⅞	8½	8¾	+⅜
DataPd	596,500	16⅜	15⅝	16⅜	+1⅜
Ultmte	523,200	17⅜	15⅝	16	—1¼
TIE	522,100	9⅝	8⅝	9	—¾

Volume: 32,150,000 shares
Year to Date: 1,316,850,000 shares
Issues traded in: 901
Advances: 384 ; declines: 357
Unchanged: 160
New Highs: 45 ; new lows: 49

Consolidated Trading Of NYSE Listing

Week ended Nov. 9

	Sales	High	Low	Last	Ch'ge
Tennco	8,221,100	38⅜	35½	37¼	+1⅝
CtData	6,511,000	38¼	33	35⅜	+2⅛
IBM	5,529,700	27¾	23¾	23¼	—2⅝
Exxon	5,351,900	44⅝	43⅝	43¾	
AT&T	5,164,900	19¼	18¼	18⅝	+½
HewlPk	4,323,400	38⅝	34	34⅜	—2¼
vlStorT	4,093,700	4½	3¼	3¼	—⅛
EsKod	4,848,500	74½	71⅜	73⅜	+2⅛
AEIPw	4,825,500	20⅝	19⅞	20¼	+¼
GMot	4,024,800	81⅜	77¼	77⅝	+⅛
UnElec	3,854,300	16¼	14¼	16	+1¾
Chryslr	3,777,700	31⅝	30⅝	30⅝	—½
AmExp	3,689,700	37¾	36	36	—⅞
UniTel	3,612,900	22⅛	21¼	21½	—⅛
FordM	3,398,900	48¾	46⅞	47⅜	—⅛
Chmpln	3,324,400	21	20¼	20¾	+¼
DartJ	3,189,400	29⅜	29	29¼	+3⅜
JohnJn	3,170,500	35⅝	33½	33⅝	—⅝
Houlnd	3,109,900	22¼	21⅛	21⅞	+¼
Unocal	2,986,800	41¼	38⅜	41¼	+2¼

Issues Traded In: 2,254
Advances: 1,295 ; declines: 702
unchanged: 257
New highs: 160 ; new lows: 32

Volume

This week	468,980,000 shares
Last week	454,460,000 shares
1983 same week	380,480,000 shares
1984 to date	20,206,053,403 shares
1983 to date	18,645,950,000 shares
1982 to date	13,955,560,000 shares

Treasury Bills

Due	Bid	Ask	Yld
11-15	7.33	7.19	7.29
11-23	7.90	7.80	7.92
11-29	7.90	7.86	7.93
12-6	7.41	7.35	7.49
12-13	7.57	7.49	7.44
12-20	7.90	7.82	7.99
12-27	8.06	7.94	8.13
-1985-			
1-3	8.13	8.07	8.27
1-10	8.23	8.15	8.37
1-17	8.46	8.38	8.63
1-24	8.58	8.52	8.79
1-31	8.47	8.41	8.69
2-7	8.44	8.40	8.90
2-14	8.45	8.37	8.88
2-21	8.74	8.68	9.02
2-28	8.73	8.65	9.03
3-7	8.76	8.70	9.07
3-14	8.78	8.72	9.11
3-21	8.77	8.71	9.11
3-28	8.78	8.72	9.14
4-4	8.85	8.79	9.23
4-11	8.88	8.80	9.26
4-18	8.92	8.86	9.34
4-25	8.92	8.86	9.36
5-2	8.92	8.86	9.37
5-9	8.91	8.87	9.40
5-16	8.91	8.85	9.47
6-13	8.94	8.86	9.42
7-11	9.04	8.96	9.55
8-8	9.10	9.02	9.65
9-5	9.18	9.04	9.72
10-3	9.14	9.08	9.81
10-31	9.11	9.07	9.85

Source- Federal Reserve Bank.

Kredietlux Indices Nov. 9

(Base 100 May 1, 1977)

Industrials, US $ L.T.	90.268
Int'l Institutions US $ L.T.	94.753
US $ medium term	101.140
Canadian $ medium term	102.15
ECU medium term	105.017
UC 9	98.248
DM	99.896
Guilders	102.84
FF short term	121.365
F Lux	99.881
Int'l Inst. F Lux medium term	105.299
F Lux medium term	102.522
Int'l Inst. Yen long term	104.318
ECU short term	101.70
ECU long term	105.356

Gulf Air Plans to Buy Planes

Reuters

ABU DHABI — Ali al-Maliki, the chief executive of Gulf Air, says that the airline plans in the near future to purchase Boeing and Airbus airliners as part of an expansion program, the official Emirates News Agency reported Saturday.

American Exchange Options

For the Week Ending Nov. 9, 1984

Mutual Funds

Closing Prices Nov. 9, 1984

NEW YORK (AP) — The following quotations, supplied by the National Association of Securities Dealers Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

NASDAQ National Market

East Germany Taps the Market for $150 Million

By Carl Gewirtz
International Herald Tribune

PARIS — East Germany, one of the better-regarded East bloc borrowers, tapped the international credit market last week for a six-year, $150-million loan.

Lead manager is Deutsche Bank, which is noteworthy because the bank makes a point of avoiding pure financial credits — which this operation is — in favor of saving its lending power for loans that are tied to the purchase of goods to be exported from West Germany.

Interest on the loan is set at 1 percent over the London interbank offered rate and front-end fees total ⅜ percent. The margin and fees represent no change from what the East Germans have previously paid, but the one-year extension on the final maturity from the five-year life of the previous loan arranged by First Chicago is an improvement on the overall terms.

If the response is favorable — which should not be difficult given the paucity of new business — the amount of the loan could be increased.

Expected to be announced shortly is a $300-million loan for Korea

SYNDICATED LOANS

Exchange Bank. It has asked banks to submit proposals and many bankers expect the final form will be a floating rate note.

Meanwhile, private sector South Korean companies are busy tapping the market. Daewoo, the big conglomerate, was able to increase to $70 million a loan that started out at $40 million, Samsong Semiconductor is having no problem raising $100 million and now Korea Development Leasing Corp. is in the market for a $30-million, seven-year loan.

Half of this will tax-spared (targeted for banks that can benefit from double-taxation agreements between South Korea and their home countries), on which interest will be set at ½-point over Libor.

The remainder will be a normal loan with interest set at ⅝-point over Libor. Front-end fees total ¾ percent and a commitment fee of ⅜ percent will be paid on any undrawn portion.

Still awaited is a decision from Algeria on proposed terms for a $500-million loan.

In the note facility market, Houston Natural Gas is seeking $400 million for seven years. Banks are being asked to provide a backup line of credit which can be drawn if its one-, three- or six-month notes cannot be sold at terms the borrower finds acceptable.

Great Western Financial is seeking to arrange a $100-million three-year credit that banks can chose to extend to five years.

Bankers note that U.S. companies are attracted to the Euronote market for the longer maturities than are available in the New York commercial paper market. There the average life of paper is 25 days. At that maturity, New York is probably the cheapest source of funds. For longer periods, the Euromarket can be cheaper — depending on overall market conditions.

However, it appears that the U.S. borrowers are limited to selling notes here with a maximum maturity of six months. Paper of less than 183 days maturity and issued on a discount basis has always been exempt from the U.S. withholding tax on interest payments. But the recent bill removing the withholding tax on longer dated instruments applies only to maturities of one year or more, leaving a no-man's land on securities having a life between 184 and 364 days.

After U.S. Election, a Struggle for Reagan's Ear

(Continued from Page 15)

And Mr. Baker might step over to the Treasury.

Then there is the Federal Reserve Board. No one knows what Paul A. Volcker, its chairman, had in mind when he said during his renomination hearings a year and a half ago that that he might not stay through the full four-year term. Some have suggested that he might move to the World Bank and replace A.W. Clausen as president. Mr. Clausen, former chairman of the Bank of America, has become a thorn in the side of the administration, and his term is up next year.

One of Mr. Volcker's senior aides suggest that the chairman might leave the Fed next January. Another insists he plans to stay put. Either way, the jockeying has begun.

One candidate to succeed him is Preston Martin, the Fed's vice chairman, a Reagan appointee and a former businessman with supply-side tendencies. Another is Paul W. McCracken, former chairman of President Richard Nixon's Council of Economic Advisers, whose views are more conventional. In addition, the terms of two Fed governors expire during Mr. Reagan's next term, offering him an opportunity to put his stamp on that powerful central bank for years to come.

Rumors swirl as well around the fate of the Council of Economic Advisers, often a pivotal influence on policy. Its most recent chairman, Martin S. Feldstein, departed in July after two years of ideological disputes with the Treasury's supply-siders. With one seat on the three-person council vacant, William A. Niskanen has been in charge, but without the chairman's title. He has told the White House he will leave early next year if it does not elevate him. And William Poole, the other member of the council, will return to his teaching job at Brown University in January.

The White House is required by law to appoint a chairman eventually. Three names keep coming up in the speculation: Beryl W. Sprinkel, the under secretary of the Treasury for monetary affairs; Jack Albertine, head of the American Business Council, a business lobby; and Rita Riccardo-Campbell, an economist at the Hoover Institution at Stanford. Mr. Sprinkel also figures prominently in speculation over the succession at the World Bank.

Right now, supply-siders are particularly concerned over the vacuum that Edwin Meese 3d, the presidential counselor, will leave behind when he takes over as attorney general. Supply-siders see Mr. Meese, a lawyer and one of the president's most senior aides, as a fellow traveler and as their strongest voice in court.

The positioning for power in the White House involves more than matters of personality. It comes down to the fundamental split between the the supply-siders and the orthodox Republicans. "If Jim Baker takes the Treasury," said Paul Craig Roberts, an assistant Treasury secretary early in the Reagan administration and Washington's most outspoken supply-sider, "the election will have been irrelevant."

One important clue to which side seems to be winning influence with the president will be the administration's economic forecast for 1985, the details of which could be published next month. If the prediction calls for about 5-percent growth — more buoyant growth than most mainstream economists are forecasting — the supply-siders will have won a round. A strongly growing economy is much more likely to generate revenues to bring down the deficit than a slower one, thus diminishing the likelihood of a presidential call for increased taxes.

But a forecast showing slower growth — around the 3 percent that many predict — would increase pressure on the White House to consider a tax increase. There is an implicit danger in that strategy: Higher taxes could tip a weak economy into recession, and that, ironically, could widen the deficit ahead.

Brazil to Seek Delay on Debt

(Continued from Page 15)

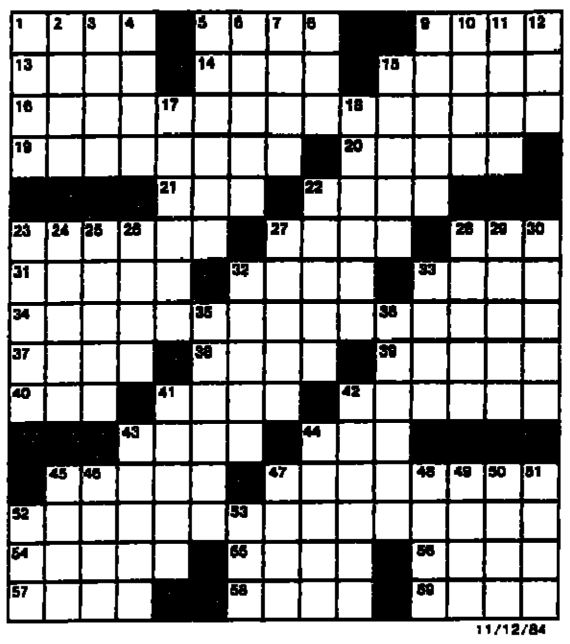
and Venezuelan example of eliminating the commission normally paid on debt restructurings and linking interest rates to the London interbank offered rate, or Libor, rather than allowing banks to choose between Libor and the higher U.S. prime rate.

But the crucial test of Brazil's new credit rating will be the "spread" — the amount paid above Libor — established for the new loan period. For a $6.5-billion loan this year, Brazil paid 2⅛ percent over the prime rate, but it now aspires to match the 1⅛ percent over Libor obtained by Mexico, thereby saving some $600 million per year.

The formal negotiations between Brazilian officials, headed by the president of the central bank, Affonso Celso Pastore, and a 14-bank advisory committee will begin Wednesday, with a draft accord expected before Christmas. It must then be endorsed by the country's 600 commercial creditors.

Commercial banks have not responded to reports of Brazil's proposed request, but recently foreign bankers have praised the country's efforts to stabilize its economy.

[The International Monetary Fund has approved Brazil's overall economic reform program for next year, but some small questions remained on ther data provided by Brazil, sources told Reuters in Washington on Friday.]



11/12/84

ACROSS

1 Actress Raines
5 Some L.A.P.D. members
9 Stuff with pork
13 King or poet
14 Listen in
15 Ovett or Coe
16 February event
19 Studios
20 Eightsome
21 Lansing-to-Flint dir.
22 Rainbows
23 Puts on
27 Lazarus or Bovary
28 "Our —— Sunday," radio soap
31 French soldier
32 —— Longa, ancient city
33 Pop
34 July event
37 Clever
38 Unique person
39 Agreed
40 Baseball's Roush
41 North Sea feeder
42 Incarnation
43 Grand ——, in auto racing
44 Arikara
45 Stranger
47 Causes for alarms
52 November event
54 Designer Oscar de la ——
55 Section
56 Restrain
57 Actor Leon
58 Blackbird
59 S African fox

DOWN

1 Lanchester or Maxwell
2 Balto-Slav
3 Bathe
4 Soviet sea
5 Glows brightly
6 Art class
7 Makes lace
8 Hindu title
9 Arthurian arena
10 "M*A*S*H" star
11 Scan
12 Kind of humor
15 El Dorado, for example
17 Form a queue
18 French forebear
22 Light color
23 TD aftermath
24 —— down (softened)
25 Played the gofer
26 Valley
27 Big brother
28 "Waiting for ——"
29 City on the Seyhan
30 Cake feature
32 Wing
33 Bristlelike organ
35 Lab stains
36 Underground hollow
41 Calif. town
42 Roof rod
43 Tap measures
44 Snake, e.g.
45 Ear-grabber
46 Byway
47 Yorkshire waterway
48 Jahan's building site
49 Nones follower
50 Speaker's spot
51 Part of a New Year's phrase
52 Singer's syllable
53 Whalers' gathering

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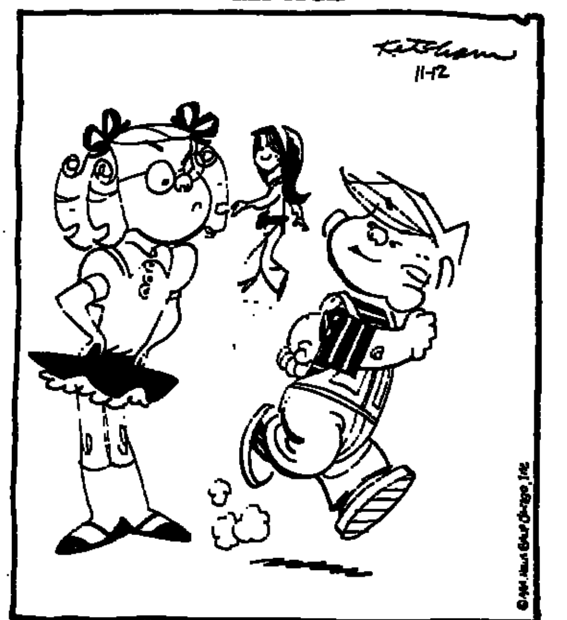
DENNIS THE MENACE



"IF GINA THINKS I'M A HUNK, I'M A HUNK!"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

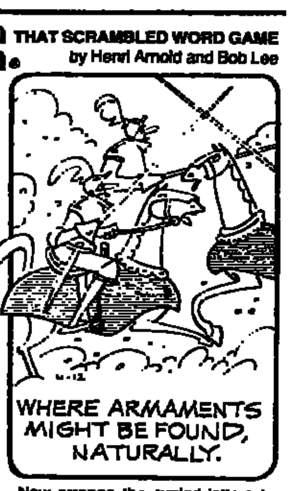
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

NERTY

MILPE

HACTLE

SMABAL



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: AMONG "ooo-oo-oooo"

(Answers tomorrow)

Friday's | Jumbles: BLOOD POKER NAUGHT SMUDGE
Answer: What the good-looking dog was— "HOUNDSOME"

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Algarve	20	68	10	50	fr
Amsterdam	14	57	8	46	cl
Athens	22	72	12	54	fr
Barcelona	21	70	17	63	o
Belgrade	22	72	8	46	fr
Berlin	8	46	4	39	o
Brussels	17	63	9	48	cl
Bucharest	8	46	5	41	r
Budapest	11	52	6	43	cl
Copenhagen	8	46	4	39	r
Costa Del Sol	19	66	14	57	o
Dublin	13	55	9	48	r
Edinburgh	12	54	8	46	o
Florence	17	63	3	38	fr
Frankfurt	13	55	4	39	cl
Geneva	13	55	3	38	fr
Helsinki	0	32	-4	25	o
Istanbul	14	57	9	48	sh
Las Palmas	22	72	18	64	r
Lisbon	18	64	10	50	o
London	15	59	6	43	o
Madrid	19	66	9	48	fr
Milan	12	54	5	41	fo
Moscow	-5	23	-10	14	fr
Munich	10	50	3	38	o
Nice	23	73	15	59	cl
Oslo	6	43	3	38	r
Paris	18	64	8	46	fr
Prague	9	48	4	39	o
Reykjavik	3	38	1	34	fr
Rome	21	70	10	50	cl
Stockholm	6	43	3	38	o
Strasbourg	10	50	6	43	o
Venice	13	55	10	50	o
Vienna	9	48	6	43	cl
Warsaw	5	41	0	32	o
Zurich	8	46	0	32	o

MIDDLE EAST

	HIGH C	HIGH F	LOW C	LOW F	
Ankara	13	55	-2	28	cl
Beirut	24	75	15	59	fr
Damascus	22	72	10	50	cl
Jerusalem	20	68	11	52	cl
Tel Aviv	23	73	13	55	cl

OCEANIA

	HIGH C	HIGH F	LOW C	LOW F	
Auckland	22	72	13	55	cl
Sydney	28	82	20	68	st

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	32	90	23	73	cl
Beijing	18	64	5	41	fr
Hong Kong	28	82	22	72	cl
Manila	29	84	22	72	cl
New Delhi	26	79	14	57	fr
Seoul	17	63	7	45	fr
Shanghai	26	79	16	61	o
Singapore	32	90	24	75	o
Taipei	30	86	20	68	fr
Tokyo	18	64	12	53	o

AFRICA

	HIGH C	HIGH F	LOW C	LOW F	
Algiers	20	68	12	54	cl
Cairo	25	77	18	64	fr
Cape Town	25	77	16	61	fr
Casablanca	21	70	13	55	cl
Harare	18	64	13	55	r
Lagos	33	91	25	77	r
Nairobi	23	73	15	59	r
Tunis	22	72	18	64	r

LATIN AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Buenos Aires	18	64	13	55	r
Lima	24	75	17	63	cl
Mexico City	23	73	2	36	fr
Rio de Janeiro	30	86	21	70	r
Sao Paulo	—	—	—	—	na

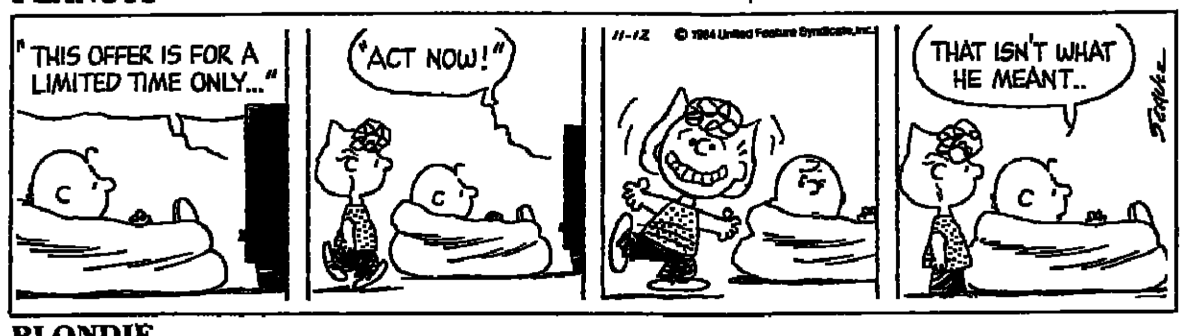
NORTH AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Anchorage	-7	21	-12	10	fr
Atlanta	13	55	5	41	pc
Boston	17	63	13	55	r
Chicago	6	43	2	36	cl
Denver	17	63	0	32	pc
Detroit	5	41	4	39	pc
Honolulu	29	84	22	72	fr
Houston	18	64	5	41	fr
Los Angeles	22	72	13	55	pc
Miami	26	79	18	64	pc
Minneapolis	1	34	-8	18	fr
Montreal	11	52	7	45	r
Nassau	26	79	17	63	fr
New York	15	59	9	48	sh
San Francisco	15	59	11	52	sh
Seattle	10	50	6	43	r
Toronto	13	55	9	48	r
Washington	14	57	1	34	sh

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

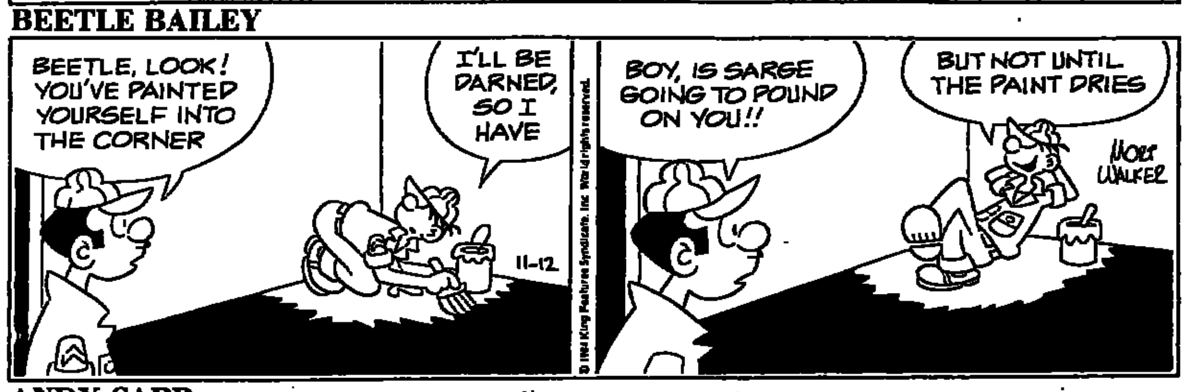
MONDAY'S FORECAST — CHANNEL: Rough. FRANKFURT: Foggy. Temp. 15—4 (59—39). LONDON: Rain. Temp. 14—7 (57—45). MADRID: Cloudy. Temp. 18—8 (64—46). NEW YORK: Cloudy. Temp. 7—5 (4—41). PARIS: Partly cloudy. [illegible]

PEANUTS

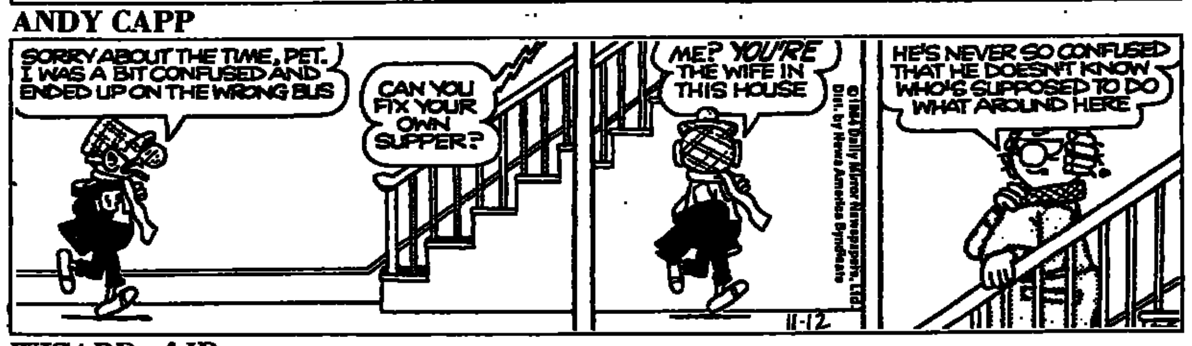


BLONDIE

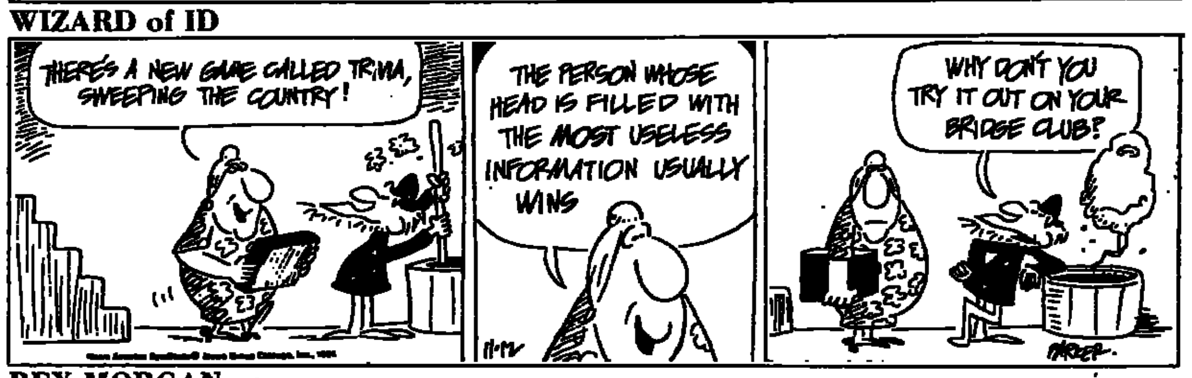
BEETLE BAILEY



ANDY CAPP

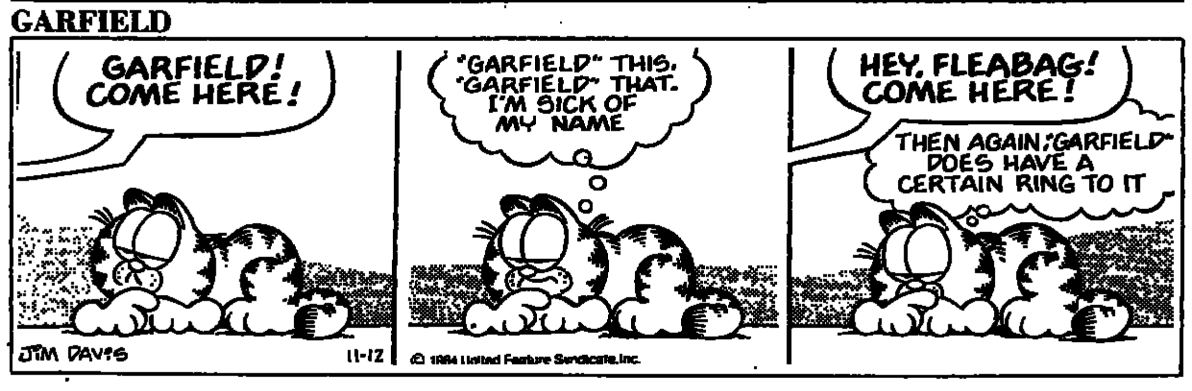


WIZARD of ID



REX MORGAN

GARFIELD



BOOKS

SWALLOW

By D. M. Thomas. 312 pp. $16.95. Viking, 40 West 23d Street, New York, N.Y. 10010.

Reviewed by Christopher Lehmann-Haupt

"SWALLOW" is the funniest, most farcical novel yet written by D. M. Thomas, the English poet, translator of works from Russian and author of four previous novels, including "The White Hotel" and "Ararat." But before attempting to explain why, let me address its serious aspect.

To understand and appreciate "Swallow," it isn't necessary to have read "Ararat," to which the new novel is a sort of sequel. But a moment's reflection on the earlier work will not prove unedifying. Readers may recall that the structure of "Ararat" was like a Russian doll or a picture of someone looking at a picture of someone looking at a picture and so on. It was a series of literary improvisations being improvised by narrators who were in turn being improvised by other characters in the book. Reviewers like myself who took it all very seriously felt compelled to step backward and consider Thomas the improvisationist and God the ultimate storyteller. With a shove from Thomas, we fell into a metaphysical stew.

Well, so much for us metaphysicians. "Ararat" may have seemed serious enough on its own, but one of the many little jokes in "Swallow" is that the earlier novel turns out to be part of a five-hour improvisation by a beautiful Italian woman named Corinna Riznich, who is competing in an Olympiad for improvisationists that is taking place by a lake on an island in a lake in Finland. Thomas has almost nothing to do with it. In the book, he is merely the author of an autobiographical sketch that gets plagiarized by Southerland, an English competitor in the Olympiad. Both Thomas's sketch and Southerland's poetic improvisation are included in "Swallow" and may, for all I know, be part of Corinna Riznich's dream about the competition.

Is this getting confusing? It needn't. True, there is a serious side to the novel. According to one subplot in the story, a "swallow" is a woman trained by the KGB to compromise foreign visitors to the Soviet Union by seducing them. Through a series of plays on the word, we come to understand that art itself is a swallow, an illusion that may subject us to arrest by reality. Also: Art is erotic. As Corinna tells a young Finnish interviewer she is trying to seduce, "Improvisation is sex, and sex is improvisation. When I improvise I embrace the unknown, the dark."

But what matters more than this serious meaning is how farcical and raunchy Thomas's latest novel is. We are caught up at once in the judges' deliberations. They cannot decide between the Russian entry, Igor Markov — who, unknown to them, has based his poem on a story that Corinna Riznich has told him — and Corinna herself, whose five-hour recitation strikes some of them as a plagiarism of Markov.

The judges finally agree to hear recordings of the three leading finalists. Hence we get to read not only poor Southerland's poem, along with the autobiographical sketch by Thomas from which Southerland stole his material, but also Igor Markov's "The Crossing." This so resembles the improvisation of Pushkin in "Ararat" that we begin to wonder whether Markov is nothing more than Corinna's fantasy. We also read sections of Corinna's own work, which form about two-thirds of the text of "Swallow."

Is it beginning to sound even more confusing? Don't worry. It's funnier than it is befuddling. We meet the Russian poet Viktor Surkov — from "Ararat" — again. He has been granted an interview with the American president, a former actor named O'Reilly who suffers from "a senile condition" called "logotarditis," or a slowing-down of the brain that allows him to respond only to the question posed before the present one. This results in a hilarious transcript too complicated to be sampled here. A message on President O'Reilly's TV monitor reads "Hope Abandoned," whose evocation of Nadezhda Mandelstam's dissident memoirs arouses paranoia in Surkov. But President O'Reilly explains, apropos of an entirely different subject of course, that "Hope Abandoned" is simply a shorthand way of telling him that a golf tournament named after a comedian has been called off because of bad weather.

Eventually, a champion of improvisation is crowned at the Finnish Olympiad, but the only real winners are the verbal confusions, the mistranslations and the endless echoes of wordplay. God eventually does put in an appearance — in a Dostoyevskian fantasy of the poet Rozanov's. "Without faith in God, life is meaningless, my friends," he expostulates, "yet the idea of a God is so intrinsically absurd, even His existence wouldn't make life necessarily more meaningful. Can you imagine being God; waking up one day, Oh, I'm God! It's like growing up knowing you're Tsarevich, only worse. How could He know what it's like to be an ordinary person, a creature? And what responsibilities! Does He ever — as I do sometimes — think . . . I've had enough! Has He ever thought of suicide? Has He ever thought of throwing Himself out of a window? But if he did — what would there be then? Nothing! But nothing would still be a king of something!"

Something like a novel by D. M. Thomas, perhaps.

Christopher Lehmann-Haupt is on the staff of The New York Times.

Solution to Friday's Puzzle

S	T	U	N	G		S	P	E	C		A	L	E	S
R	A	T	I	O		C	A	L	L		S	I	N	E
S	C	A	N	T		A	L	S	O		P	E	A	T
	T	H	E	H	O	R	S	E	S	M	O	U	T	H
				I	R	A			E	M	O	T	E	S
B	R	O	N	C	O	B	U	S	T	E	R			
R	I	M	A				R	Y	E	S		T	S	E
E	V	E	N		A	W	A	R	D		S	A	I	D
D	E	N		C	L	A	N				A	X	L	E
			R	O	A	N	S	T	A	L	L	I	O	N
O	N	E	E	A	R			E	L	I				
N	I	G	H	T	M	A	R	E	A	L	L	E	Y	
S	E	R	A		I	R	O	N		A	U	R	A	E
E	V	E	S		S	E	A	S		C	A	I	R	N
T	E	T	H		T	O	R	Y		S	U	E	D	E

11/10/84

BRIDGE

By Alan Truscott

ON the diagramed deal, it was normal for North-South to reach four-hearts, and that was the contract at both tables. West took advantage of the favorable vulnerability to over-call in a four-card suit. North would have liked to double two spades, but his partner, not surprisingly, did not give him the opportunity.

With any routine defense, South loses two diamond tricks and must handle the trump suit for one loser. Playing the ace will succeed as the cards lie, but would be inferior play; other things being equal, the finesse of the queen is right. It loses to a singleton king in the West hand, but gains if West has a small singleton. Both these plays work, and only the implausible play of a deep finesse will fail.

But West's defense was not routine. After leading the diamond king he did not cash the ace but instead shifted to a club. To South, this seemed like an error. He could now, he thought, make his contract even if he had to lose two trump tricks. He won the club with the ace and cashed the heart ace followed by the spade ace. He now tried to enter dummy with a club to discard his diamond loser on the spade king, which would have produced an overtrick. But to his horror, East ruffed and the defense scored the diamond ace and the heart king for down one.

The quick club shift preserved an entry in the West hand for a possible club ruff. So it left South with only one winning line: to win in the dummy and finesse the heart queen. In the replay the defense was less ingenious and the contract made easily.

NORTH
♠K8754
♡10
◇Q4
♣KQ763

WEST
♠QJ93
♡J
◇AK5
♣108542

EAST
♠1062
♡K75
◇J108732
♣9

SOUTH (D)
♠A
♡AQ986432
◇96
♣AJ

North and South were vulnerable.
The bidding:

South	West	North	East
1♡	1♠	Pass	2♠
3♡	Pass	3N.T.	Pass
4♡	Pass	Pass	Pass

West led the diamond king.

SPORTS BRIEFS

Australia and France Victors in Rugby Tests

DUBLIN (IHT) — Ireland worried Australia Saturday before the Wallabies collected a second victory, 16-9, in a series of four rugby test matches in the British Isles. After beating England the previous Saturday, 19-3, Australia has Wales and Scotland yet to face. It has scored four tries and allowed none in the first two tests.

The Irish, including five rookies, frustrated Australia at the lineouts and in defense, and a drop by center Michael Lynagh was the only score in the first half. Flyhalf Mark Ella doubled Australia's lead to 6-0 with a drop early in the second half, but three penalty goals by wing Michael Kiernan put Ireland ahead, 9-6, until 10 minutes from the end. Ella's second drop and a try gave him 10 points in all, and Lynagh added a penalty.

In Bucharest Saturday, France won its annual match with Romania, 18-3, as flyhalf Jean-Patrick Lescarboura scored 14 points with a try, two conversions and two penalties. Center Philippe Sella got the other French try, and flyhalf Dinu Alexandru kicked a penalty for Romania. The Romanians, who brought off a 28-22 upset of Scotland last May, go to Twickenham on Jan. 5 to play England for the first time.

Indianapolis to Host 1987 Pan Am Games

INDIANAPOLIS (AP) — Indianapolis will be the host city for the 1987 Pan American Games because Ecuador has withdrawn its bid, Mayor William H. Hudnut announced late Friday. The tentative dates for the 10th Pan Am Games — the first in the United States since 1959 at Chicago — are July 17-Aug. 2, 1987.

Hudnut said the U.S. Olympic Committee president, William E. Simon, had told him he had been notified that Ecuador will not hold the games. The Ecuadoran president, León Febres Cordero, had said he opposed the expenditure of $18 million to build facilities.

Cottier Named to Manage Mariners in 1985

SEATTLE (AP) — Chuck Cottier, interim manager for the Seattle Mariners for the final month of last season, was named late Friday as the team's manager for 1985. The club's president, Chuck Armstrong, said he picked Cottier over candidates includng New York Yankee coach Jeff Torborg, Toronto Blue Jay coach Jimy Williams and Minnesota Twin minor-league manager Cal Ermer. Cottier was signed to a one-year contract.

Cottier, 48, directed the Mariners to a 15-12 record in September following the firing of Del Crandall.

Japan Upsets U.S. in World Amateur Golf

HONG KONG (UPI) — Japan upset the United States by seven strokes Saturday to win the world men's amateur team golf championship at the Royal Hong Kong Golf Club.

Tetsuo Sakata, Kazuhiko Kato, Kiyotaka Oie and Noriaki Kimura charged from second place to take the lead from the United States in the second round; they finished the tournament with a four-round total of 870. The United States, with Scott Verplank, Jay Sigel, Randy Sonnier and John Inman, had fallen to fifth place in the third round; it moved up to second, but could do no better than 877.

The Philippines was third, nine strokes off the pace, followed by Britain-Ireland, Canada and New Zealand.

Bird, Erving Clash as Celtics Beat 76ers, 130-119

Compiled by Our Staff From Dispatches

BOSTON — Larry Bird had said that the first meeting this year between his Boston Celtics and the arch-rival Philadelphia 76ers would be just another game. On Friday, the intensity was such that he and Julius Erving had a fistfight that led to a bench-clearing brawl and threats of retaliation.

Both Bird and Erving were ejected after the fight, which took place in the third period of the Celtics' 130-119 victory over the 76ers at the Boston Garden. The league has begun an investigation.

NBA FOCUS

Meanwhile, Kansas City edged New Jersey, 101-99; Milwaukee defeated Indiana, 122-105; Utah topped Golden State, 125-117, and the Los Angeles Lakers beat Portland 130-126.

On Saturday, Chicago shaded Indiana, 118-116; Washington stopped Boston, 112-95; New York trimmed Kansas City, 113-100; Detroit nipped Milwaukee, 104-100; San Antonio hammered Cleveland, 127-103; Dallas edged Seattle, 106-102; Houston routed the Los Angeles Clippers, 117-92; Denver outgunned Utah, 147-135, and Atlanta downed Phoenix, 114-107.

Bird, who had 42 points, and Erving, who had only 6, exchanged punches with 1:38 left in the third quarter and Boston leading, 95-75. The incident occurred after Bird was called for an offensive foul on Erving, who hit the floor.

They exchanged words all the way back upcourt before Bird swung at Erving and missed. Erving then landed several punches, and Philadelphia center Moses Malone grabbed Bird around the neck and wrestled him down. As a pileup occurred, both benches cleared.

Bird and Erving were thrown out of the game for fighting by referee Dick Bavetta, who had been calling the game alone after referee Jack Madden injured his right knee.

Philadelphia coach Billy Cunningham said the fight was Bird's fault and threatened retaliation. "When he throws elbows, he has to expect it in return," Cunningham said of Bird.

"Hopefully, the officials will see it that way and start calling it, because if they don't we'll come in here and point someone out to get into a fight with him."

But Celtic forward Cedric Maxwell suggested that Erving had been frustrated by his inability to stop Bird from scoring. "He was scorching," Maxwell said. "He was having one of those nights and it must have been very frustrating for Dr. J covering him.

The NBA has requested videotapes of the game and will interview the principals as well as others at the game.

Neither Bird nor Erving, who are friends and have worked together on television commercials, had anything to say about their fight.

Boston's biggest lead of the night was 24 points with 4:20 left in the third quarter on a Kevin McHale dunk for an 87-63 advantage. Philadelphia twice cut the margin to seven points in the last five minutes but could come no closer.

The day before, Bird had dismissed suggestions that the first contest of the season between the chief rivals for the Atlantic Division crown would be anything other than just routine.

It was the first loss of the season for the 76ers, who dropped to 5-1. Boston is 5-0. "Just another dull game," said K.C. Jones, the Celtic coach afterward. "Not much happening out there." *(AP, UPI)*

The Associated Press

The Celtics' Larry Bird and Julius Erving of Philadelphia squared off, above, during Friday night's third period in Boston. Erving got in several punches before teammate Moses Malone, left, started applying a little pressure of his own. Bird and Erving were ejected; the Celtics won, 130-119.

SPORTS

USC Shocks Washington, 16-7; 6 Other Top-20 Teams Beaten

Compiled by Our Staff From Dispatches

LOS ANGELES — Highlighted by Southern California's 16-7 victory over top-ranked Washington, seven of college football's top-20 teams were defeated Saturday, affecting the possible matchups for all five New Year's Day bowl games.

Bowl bids can go out beginning Nov. 24. The matchups for the Fiesta Bowl — the only New Year's

COLLEGE FOOTBALL

game without a conference affiliation — won't be determined until the other major bowl lineups are settled.

Southern Cal, ranked 12th by United Press International and 14th by The Associated Press, clinched the Pacific-10 crown and a trip to the Rose Bowl with its upset. Texas (UPI's No. 2, AP's No. 3) fell to Houston and lost its undisputed Southwest Conference lead and Ohio State became the front-runner in the Big Ten after Iowa (UPI's No. 17, AP's No. 18) was knocked off by Michigan State.

Florida (ranked 11th and 10th, respectively, by the news agencies) took solid control of the Southeast Conference race by crushing No. 8 Georgia, but might be denied a Sugar Bowl appearance because of impending National Collegiate Athletic Association probation.

Sixth-ranked Miami might have been knocked from a major bowl by blowing a 31-0 halftime lead in a loss to unrated Maryland.

Amid the madness, Nebraska, which had been rated third by UPI and second by AP, emerged as the likely choice for the top spot by crushing Kansas. Fifth-ranked South Carolina set up the possibility of meeting Nebraska in the Orange Bowl for the national championship by defeating Florida State; FSU had been ranked 10th by UPI and 11 by AP.

Steve Jordan's three field goals and Fred Crutcher's 2-yard run for the go-ahead score with 14:15 to play lifted Southern Cal over Washington.

In putting an embarrassing 4-6-1 1983 season behind them, the Trojans won the Pac-10 title with a 7-0 in-conference record, 8-1 overall, USC's loss came in the third week against Louisiana State. Washington, which had been looking for its first Rose Bowl appearance since 1982, fell to 5-1 in the Pac-10 and 9-1 overall, but can remain in the running for a major bowl with a season-ending victory over Washington State next week.

Houston 29, Texas 15

In Austin, Texas, Gerald Landry threw two touchdown passes, DeWayne Bowden returned an interception 62 yards for another score and Houston capitalized on nine turnovers to stun Texas, 29-15. Houston (5-4) scored 17 second-period points on a 79-yard pass from Landry to split end Anthony Ketchem, a 48-yard field goal by Mike Clendenen and Landry's 7-yarder to tight end Carl Hilton with nine seconds left in the half. Its 19-game Southwest Conference winning streak snapped, Texas is 6-1-1 overall and 4-1 in the SWC. Texas Christian moved into a tie for first with a 27-16 victory over Texas Tech, setting up next week's conference showdown with the Longhorns.

Maryland 42, Miami 40

In Miami, Maryland staged the greatest comeback in major-college football history to nip Miami, 42-40. After the Hurricanes raced to their hefty halftime lead, reserve quarterback Frank Reich replaced Stan Gelbaugh and directed Maryland to six straight scoring drives. The comeback was not complete until Miami's Melvin Bratton was stopped on a two-point conversion try with one minute left. Previously, the biggest deficit overcome by a winning Division I-A team had been 28 points, first accomplished when Oregon State rallied to beat Fresno State, 31-28, on Sept. 12, 1981. On Oct. 20 this season, Washington State trailed Stanford, 42-14, before winning, 49-42.

Florida 27, Georgia 0

In Jacksonville, Florida, freshman Kerwin Bell engineered scoring pass plays of 25 and 96 yards to put Florida on the threshold of its first SEC title with a 27-0 rout of Georgia. Florida will carry a 4-0-1 conference mark into its SEC finale at Kentucky on Saturday. A victory would give the Gators their first conference title in 52 years.

South Carolina 38, Florida State 26

In Columbia, South Carolina, Raynard Brown sprinted 99 yards with the second-half kickoff and Thomas Dendy had TD runs of 57 and 2 yards to spark South Carolina to its 38-26 decision over Florida State. As the country's highest ranked independent team, the Gamecocks could have their pick of the Orange, Cotton or Sugar Bowls if they get by Navy and Clemson the next two weeks.

Boston College 45, Army 31

In Newton, Massachusetts, Doug Flutie became the all-time major college passing yardage leader by throwing for 311 yards and three touchdowns in leading Boston College past Army, 45-31. Flutie, a senior who started the game with 9,384 career passing yards, surpassed the Division I-A record of 9,614 yards set last season by Duke's Ben Bennett. *(UPI, AP)*

The Associated Press

Right up there: Florida's Neil Anderson soared to a second-period TD Saturday against Georgia. The Gators won, 27-0.

Defying Logic: Pro Sport's Shiftiness

By Ken Denlinger
Washington Post Service

WASHINGTON — Sophisticated fans may know what the Buffalo All-Americans, Akron Pros, Dayton Triangles, Chicago Staleys, Rock Island Independents, Rochester Jeffersons and Columbus Panhandles have in common: They were more than half the National Football League in its first season.

Other trivial pursuers may be able to snap off the fact that the Pittsburgh Ironmen, St. Louis Bombers and Toronto Huskies were charter franchises in the National Basketball Association — and that Providence won the pennant and Toronto finished last in the National League in 1879.

Possibly, the Supreme Court justices know that there once were Falcons in Detroit, Celts in Cincinnati, Marines in Minnesota, Redskins in Sheboygan and that the first Caps in Washington played basketball. Without being quite hooked on sport, the justices certainly realized that teams have been hopping from city to city for scores of years.

Maybe that's why the Supreme Court last week refused to consider the 27 other NFL owners' arguments against Al Davis being allowed to up and move his Raiders from Oakland to Los Angeles two years ago, on his whim and without their consent. Clear as clipping, the justices may have reasoned; it's against the law for a man not to be able to choose his place of business.

But nearly every other significant way the NFL operates also has been declared illegal by some court sometime within the last decade or so. Then the draft and the way teams had to be compensated for a player simply deciding he wanted to work elsewhere were approved in collective bargaining. Because you cannot legislate brains, half the teams would be bankrupt if incompetence were not rewarded.

What the Supreme Court did not do may well be correct; it's also unfair, encouraging owners in every pro sport to strong-arm towns even harder than they already do. It looks here as if the justices have passed the ball of justice to Congress. Let's hope a law gets passed — and soon — that says the only way a franchise can skip town, without proof of nonsupport, is for the league to replace it.

The state of pro sport now defies logical thought. A player cannot move freely from one team to another; an entire team can move from one town to another without so much as a legal thumbtack being tossed in front of the van. Teams get compensated for losing players; towns don't get compensated for losing teams.

Only in 1984.

Congress can all but glimpse out the window to see why teams must be tethered to towns. The enormous white elephant called RFK Stadium was built at public expense about a quarter-century ago to house public pleasures, major league baseball and football. When the Senators skipped away the first time, baseball did right by Washington and created an expansion franchise; the second time, it left the town holding the mortgage. Even mostly empty stadiums must be paid for.

Batting helmet in hand, we must beg baseball to return a franchise it never should have allowed to relocate in the first place. The brazen buzzards who pick cities clean and then move on should be grabbed by their greedy throats and choked into saying: "We'll stop."

The Dodgers dash to Los Angeles; the Braves slink off to Atlanta; the Senators slip off to Minnesota and Texas; the Rams bolt to Anaheim; the Raiders run to L.A., followed quickly by the Clippers. And so on and on. The ultimate in athletic arrogance: On Dec. 2, the New York Giants will play the New York Jets on the New Jersey field both teams call home. The Giants are the visitors.

With few exceptions, owners of pro teams get their playpens financed at public expense. Many pay either a nominal fee or rent based on attendance. Cities with dreadful teams but without long-term leases are quivering more than ever.

Al Davis is the smartest man in the NFL, not necessarily the greediest. Whatever the rules, he and his team still would beat the brains out of most of the other NFL bozos, on the field and off. Many of his colleagues may be angered that only he had the nerve and wisdom to tackle a whole league and its considerable allies in important places. And win, baby.

Still, Davis seems the sort you wouldn't walk off the first tee with unless that $2 nassau were notarized. The Raiders hardly left women and children starving in Oakland, but the precedent of a team's being permitted to walk out on a town that had supported it more than generously is an intolerable one. Give some of these guys 40 acres and a mule and they'll soon demand the county.

Slew o' Gold, All Along Upset in Cup Races

By Steven Crist
New York Times Service

INGLEWOOD, California — The two richest horse races ever run ended in spectacular upsets Saturday at Hollywood Park as Wild Again beat Slew o'Gold after a rough stretch run in the $3 million Breeders' Cup Classic and Lashkari beat All Along in the $2 million Breeders' Cup Turf.

The unexpected victories by rank outsiders capped an afternoon of seven rich, new Breeders' Cup races, four of which were won by favorites and determined several divisional championships.

The Cup Classic, Slew o'Gold's final career start and expected to be his sixth victory of the year without a defeat, featured a stormy stretch run that may have compromised the favorite's chances. In the final yards, Wild Again was bearing out from the rail and Gate Dancer was lugging in on the outside, squeezing Slew o'Gold between them and forcing his jockey to take up.

The stewards immediately posted the inquiry sign and examined the films for 10 minutes before disqualifying Gate Dancer from second to third for interfering with Slew o'Gold. Earlier this year, Gate Dancer became the first horse ever disqualified for interference in the Kentucky Derby when he was dropped from fourth to fifth place.

Wild Again, a 31-to-1 shot, led virtually every step of the way despite early pressure from Precisionist and Mugatea. He covered the mile and a quarter in 2:03-2/5. The 4-year-old was ridden by Pat Day. Slew o'Gold, who had been troubled by cracks in his right front foot that caused an infection in recent days, appeared ready to pass Wild Again in midstretch but was unable to go by him at first and then was squeezed off later.

In the turf race, 53-to-1 shot Lashkari got up in the final stride to beat All Along, the 1983 horse of the year. Lashkari, the longest shot in a field of 10, came from way back under Yves St. Martin to win by a head. The winner went a mile and a half in 2:25-2/5.

Lashkari, considered among the weakest of the European entrants, had won three of seven starts in France, but all were minor races. The English-bred previously had earned $56,594 lifetime; he picked up $900,000 Saturday.

Princess Rooney and Life's Magic clinched Eclipse awards as the nation's top fillies by running 1-2 in the $1 million Breeder's Cup Distaff. Princess Rooney, a 4-year-old, romped by seven lengths to prove herself the best older filly, and Life's Magic sewed up her title as the top 3-year-old filly when her chief rival, Miss Oceana, finished last in the field of seven.

Princess Rooney raced just off Lucky Lucky Lucky, the pace-setter, for a mile, through fractions of :23-3/5, :47-1/5, 1:11-3/5 and 1:37. Then she began to pull steadily away as Life's Magic closed for second and Adored settled for third, three-quarters of a length farther back. The winner, heavily favored, finished the mile and a quarter under Eddie Delahoussaye in 2:02-2/5. Princess Rooney has won 17 of 21 career starts and earned $1,343,339.

Royal Heroine, bidding for an Eclipse as the country's best grass filly, beat a field of mostly colts and older male horses in the $1 million Breeder's Cup Mile. Under Fernando Toro, the favorite's time of 1:32-3/5 on the grass was a U.S. record and tied the world mark set in 1949 in England over a downhill course by Alizene.

Royal Heroine snaked through the pack in the stretch and drew off by a length and a half over 69-1 shot Star Choice in a blanket finish that found Cozzene a neck back in third and Tights another neck back in fourth.

Eillo hung on by a nose to win the $1 million Breeder's Cup Sprint over Commemorate, a victory that probably earned him the title of the nation's champion sprinter. Eillo flew out of the gate, opening a clear lead on fractions of :22-2/5 and :45-3/5. The favorite stretched his margin to 2½ lengths with a furlong left, but was all-out under Craig Perret to hang on against Commemorate and Chris McCarron. Fighting Fit was another 1½ lengths back in third, 2¼ lengths in front of the filly Pleasure Cay.

Fran's Valentine, a 74-1 shot, finished first in the $1 million Juvenile Fillies race but was placed 10th for blatant interference, making Outstandingly the winner by disqualification. The race was as chaotic as the standing in the 2-year-old filly division it failed to clarify. The first three finishers went off at odds of 74-1, 22-1 and 78-1.

After a moderate early pace of :22-3/5, :46 and 1:11-2/5, a cavalry charge took shape. Fran's Valentine, about to take the lead on the outside, swerved and knocked Pirate's Glow off stride and into Bessarabian, the 8-5 favorite. Outstandingly, closing fastest of all on the rail but falling half a length short of Fran's Valentine, was unaffected by the incident. Fran's Valentine finished the mile out of a chute in the dull time of 1:37-4/5.

The series got off to a rousing start as Chief's Crown came from off the pace and then held off Tank's Prospect at the wire to win the $1 million Juvenile by three-quarters of a length. The victory cemented Chief's Crown's claim to the 2-year-old championship.

Chief's Crown, the favorite in a field of 10 2-year-old colts, covered the one-turn mile, out of the chute, in 1:36-1/5 under Don MacBeth. Tank's Prospect, sent off at 25-1, closed strongly, three-quarters of a length in front of Spend a Buck.

The Associated Press

Slew o' Gold feeling the squeeze from Gate Dancer, left, and Wild Again in the homestretch of the Breeder's Cup Classic.

Holmes Retains IBF Title

By Michael Katz
New York Times Service

LAS VEGAS — It was not a mismatch after all. Larry Holmes, showing all of his 35 years and the effects of a long layoff, had to survive several scares before stopping challenger James (Bonecrusher) Smith at 2 minutes 12 seconds of the 12th round to retain his International Boxing Federation heavyweight title here Friday night. Few thought the scheduled 15-round bout would last as many as seven rounds.

The rough fight, in which both men were cut badly over their eyes, was stopped on the advice of Donald Romeo, the ringside doctor.

It was the first fight for Holmes since he scored a first-round knockout of Marvis Frazier a year ago. He entered with a 45-0 record and 32 knockouts, and he started his assault early. After the first minute, his jabs had cut the bridge of Smith's nose.

But the challenger was not awed. In the second round, he continually attacked, going for Holmes's body; the champion showed the rust of his year off. He was also having trouble reaching Smith, whose 82-inch (2.08-meter) reach was an inch longer than his own.

But by the third round, Holmes had inflicted a bruise beneath Smith's left eye. In the fourth, he began landing rights to the head, and Smith's legs started wobbling. It was Holmes's legs that were wobbly in the fifth round, though. Backed against the ropes, he easily ducked a Smith left hook, but was hurt by a good right. Another right later in the round also rocked him, but he survived.

Smith continued to land right hands in the sixth. Holmes hardly seemed invincible. In the seventh, he complained to Referee Davey Pearl about a thumb to the eye. Suddenly, Smith opened a bad cut over Holmes's left eye — he had never been seriously cut before — and blood streamed down his face.

In the eighth a wild right staggered Holmes. The blood continued to flow, and Percy Richardson, the champion's cut man, did not seem able to stop it. Holmes moved more in the ninth, and by its end Holmes's jabs were keeping the challenger away.

Smith had never gone a full 10 rounds, and in the 10th it was apparent he was tired. Holmes kept catching him with right hands to the head. In the 11th, a right opened up a bad cut over Smith's left eye; the cut was even worse than the champion's, and one of the greatest upsets in ring history was slipping away.

Smith, not wearing his mouthpiece, came out determinedly for the 12th. He soon ran into a right hand, but still he pressed forward. With Smith blinking his eyes, referee Davey Pearl stopped the bout and brought him to Romeo, who asked if the challenger wanted to continue. Smith said he did not.

AP

'Bonecrusher' Smith
. . . Bloodied but unawed.

Unbeaten Oilers Down Caps, Setting Record for Fast Start

Compiled by Our Staff From Dispatches

LANDOVER, Maryland — Edmonton Oiler coach Glen Sather doesn't care that much about his team's record-breaking start this year. He's more concerned about the end of the National Hockey League season, or so he said after the Oilers beat the Washington Capitals Friday night, 8-5, to bring their unbeaten streak for 1984 to 15 games, surpassing by one the mark set in 1943.

The victory, in which the Oilers were outshot in every period, put

NHL FOCUS

their mark at 12-0-3, eclipsing the opening 14-game unbeaten streak of the 1943-44 Montreal Canadiens.

In other action Friday, the New York Rangers edged the New York Islanders, 5-4, in overtime; Philadelphia blanked St. Louis, 6-0; Winnipeg beat Vancouver, 7-5, and Los Angeles nipped Buffalo 3-2.

On Saturday, the Islanders beat Pittsburgh, 5-4. Hartford nipped Quebec, 1-0; Boston defeated Detroit, 4-2, and there were four ties — Washington and New Jersey (2-2), Calgary and Montreal (3-3), Chicago and Toronto (4-4) and Vancouver and Minnesota (5-5).

"I'm glad it's over," Sather said. "We made a lot of awful mistakes tonight, the kind we can't make if we want to win it all again.

"Fifteen games is not that much. I would like to take a shot at the one Philadelphia set a few years ago — 35 games without a loss during the season."

But, he said, "You can't go into a game thinking something like that."

Wayne Gretzky admitted however, that the Oilers were tantalized.

"We've been trying to play down the streak, but it's hard to go after something like that and not think about it. We'll probably look back on it when we hit a rough streak and drop two or three in a row."

Gretzky, with two goals and four assists, and linemate Jari Kurri, who had three goals and an assist, led the Edmonton charge.

Gretzky gave some of the credit for the victory to Grant Fuhr. "Our goaltender did his job early and we got our legs in the second period and put them away," he said.

Coach Bryan Murray knew exactly why his Capitals, the league's best defensively in 1983-84, allowed eight goals. "We went out and tried to play like the Edmonton Oilers," Murray said, noting that his team peppered Fuhr with 46 shots.

"The Washington Capitals can't play like that. We can't win getting into a shootout."

Bryan Erickson gave the Capitals a 1-0 lead in the eighth minute of the first period. Washington trailed, 3-1, early in the second period, but Dave Christian then brought the Caps to within one goal on a shot through Fuhr's legs. Thirty seconds later, Willy Lindstrom made it 4-2. Bobby Carpenter of the Capitals scored at 10:34, but Kurri came back with his second goal at 13:49 of the second period.

Gretzky gave the Oilers a 6-3 lead at 2:29 of the third period, but Alan Haworth came back for Washington at 8:46. Kurri made it 7-4 with 4:30 left to play, and 26 seconds later, Lou Franceschetti gave the Capitals their final hope.

Gretzky closed out the scoring with 48 seconds left.

SCOREBOARD

Selected U.S. College Football Scores

EAST
Amherst 23, Williams 6
Bates 14, Tufts 14
Boston College 45, Army 31
Boston U. 21, Connecticut 17
Bowdoin 28, Colby 14
Cornell 19, Columbia 7
Dartmouth 27, Brown 11
Delaware 27, Massachusetts 14
Hamilton 10, Union 3
Lehigh 21, Bucknell 15
New Hampshire 14, Holy Cross 13
Penn 38, Harvard 7
Pittsburgh 21, Tulane 10
Richmond 19, Northeastern 8
Rutgers 23, W. Virginia 19
St. John's (N.Y.) 19, Hofstra 16
Swarthmore 31, Oberlin 3
Syracuse 29, Navy 0
Trinity 20, Wesleyan 14
William & Mary 48, Colgate 39
Yale 27, Princeton 24

SOUTH
Auburn 60, Cincinnati 0
Clemson 17, Virginia Tech 10
Florida 27, Georgia 0
Kentucky 27, Vanderbilt 18
LSU 16, Alabama 14
Maryland 42, Miami (Fla.) 40
N. Carolina 24, Georgia Tech 17
S. Carolina 38, Florida St. 26
Tennessee 41, Memphis St. 9
Tennessee St. 24, Louisville 15
Virginia 45, N. Carolina St. 0
Wake Forest 20, Duke 16

MIDWEST
Bowling Green 28, Ohio U. 7
Cent. Michigan 51, Ball St. 7
Dayton 62, Taylor 3
Illinois 34, Indiana 7
Iowa St. 7, Kansas St. 7
Marshall 10, Illinois St. 3
Miami (O.) 23, E. Michigan 0
Michigan 31, Minnesota 7
Michigan St. 17, Iowa 16
Nebraska 41, Kansas 7
N. Michigan 55, Michigan Tech 28
Ohio St. 52, Northwestern 3
Ohio Weslyn 23, Wooster 7
Toledo 13, N. Illinois 7
Wabash 41, DePauw 26
W. Michigan 13, Kent St. 9
Wisconsin 30, Purdue 18
Wyoming 45, S. Dakota St. 29

SOUTHWEST
Arkansas 14, Baylor 9
Arkansas St. 37, Lamar 13
Colorado St. 59, Texas-El Paso 31
Houston 29, Texas 15
N. Texas St. 10, NE Louisiana 3
Oklahoma St. 31, Missouri 13
Southern Meth. 31, Rice 17
Texas Christian 27, Texas Tech 16
Texas A&I 28, Abilene Christian 13
Tulsa 24, Indiana St. 17
Wichita St. 17, W. Texas St. 14

FAR WEST
Air Force 23, New Mexico 9
Arizona 28, Stanford 14
Arizona St. 44, Oregon 10
Brigham Young 34, San Diego St. 3
Oklahoma 42, Colorado 17
Pacific U. 24, Fresno St. 6
San Jose St. 42, Long Beach St. 7
Southern Cal 16, Washington 7
UCLA 26, Oregon St. 17
Utah 21, Utah St. 10
Washington St. 33, California 7

Hockey

NHL Standings

WALES CONFERENCE	W	L	T	Pts	GF	GA
Patrick Division						
Philadelphia	8	3	2	18	62	33
N.Y. Islanders	8	7	0	16	76	74
N.Y. Rangers	7	4	1	15	57	49
Washington	5	5	3	13	50	49
Pittsburgh	5	7	1	11	48	56
New Jersey	3	8	2	8	44	58
Adams Division						
Montreal	8	3	2	18	48	38
Boston	9	5	0	18	57	44
Buffalo	7	5	2	16	64	54
Hartford	7	6	2	16	50	59
Quebec	6	8	1	13	52	59
CAMPBELL CONFERENCE						
Norris Division						
Chicago	7	6	2	16	67	62
St. Louis	6	7	0	12	48	53
Detroit	4	9	1	9	52	67
Minnesota	3	8	3	9	48	61
Toronto	3	8	3	9	40	63
Smythe Division						
Edmonton	12	0	3	27	80	38
Calgary	8	6	1	17	76	61
Winnipeg	6	5	2	14	53	48
Los Angeles	4	7	3	11	53	54
Vancouver	2	11	2	6	53	94

FRIDAY'S RESULTS

N.Y. Islanders	3	1	0	0—4
N.Y. Rangers	0	1	3	1—5

McPhee (3), Rogers (4), Beck (1), Don Maloney (6), Ruotsalainen (5); Bossy (18), Flatley (2), Kallur (2), Tonelli (9). Shots on goal: Islanders (on Vanbiesbrouck) 18-14-10-1—43; Rangers (on Melanson) 19-13-10-3—45.

St. Louis	0	0	0—0
Philadelphia	4	1	1—6

Sinisalo (7), Kerr 2 (14), Craven (6), Poulin (3), McCrimmon (3); Shots on goal: St. Louis (on Lindbergh) 9-8-12—29; Philadelphia (on Wamsley, Heinz) 10-14-6—30.

Edmonton	2	3	3—8
Washington	1	2	2—5

[illegible]

Small 2 (6), Hawerchuk 2 (9), Arniel 2 (7), Mullen (5); Gradin (4), Lemay (5), Skriko (3), McNab (5), Tanti (8). Shots on goal: Vancouver (on Behrend, Hayward) 12-10-7—29; Winnipeg (on Garrett) 7-18-6—31.

Buffalo	1	1	0—2
Los Angeles	0	1	2—3

Ruskowski (4), Smith (6), Taylor (7); Andreychuck (8), Hait (1). Shots on goal: Buffalo (on Janecyk) 14-11-3—28; Los Angeles (on Barrasso) 7-7-13—27.

SATURDAY'S RESULTS

Montreal	0	2	1—3
Calgary	1	1	1—3

Kurvers (2), Flockhart (1), Naslund (3); Nilsson (8), Patterson 2 (9). Shots on goal: Montreal (on Lemelin) 11-11-12-2—36; Calgary (on Penney) 10-10-11-0—31.

Vancouver	1	2	2	0—5
Minnesota	3	2	0	0—5

Daigneault (1), Tanti (9), Gradin (5), Skriko (3), Lemay (6); Acton 2 (3), Ciccarelli (3), Maruk (6), Payne (6). Shots on goal: Vancouver (on Meloche) 9-14-10-6—39; Minnesota (on Caprice) 17-12-8-1—38.

Chicago	0	3	1	0—4
Toronto	1	3	0	0—4

Sutter (5), Larmer 2 (9), Fraser (6); Daoust 2 (4), Valve (8), Root (1). Shots on goal: Chicago (on Wregget) 10-12-10-1—33; Toronto (on Bannerman) 13-16-9-3—41.

Boston	2	1	1—4
Detroit	1	0	1—2

Bourque (4), O'Reilly (3), O'Connell (5), Simmer (7); Kisio (3), Ogrodnick (7). Shots on goal: Boston (on Stefan) 5-12-12—29; Detroit (on Keans) 5-4-7—16.

Hartford	0	0	1—1
Quebec	0	0	0—0

Robertson (2). Shots on goal: Hartford (on Bouchard) 6-7-15—28; Quebec (on Millen) 10-5-13—28.

Washington	1	1	0	0—2
New Jersey	0	2	0	0—2

Gardner (2), Sampson (5); Higgins (4), Sullimon (6). Shots on goal: Washington (on Low) 9-15-6-1—31; New Jersey (on Riggin) 11-[illegible]

[illegible]

Basketball

NBA Standings

EASTERN CONFERENCE	W	L	Pct.	GB
Atlantic Division				
Boston	5	1	.833	—
Philadelphia	5	1	.833	—
Washington	4	5	.444	2½
New Jersey	3	4	.429	2½
New York	2	6	.250	4
Central Division				
Chicago	6	2	.750	—
Milwaukee	6	2	.750	—
Detroit	4	4	.500	2
Atlanta	3	5	.375	3
Indiana	1	6	.143	4½
Cleveland	0	8	.000	6
WESTERN CONFERENCE				
Midwest Division				
Houston	7	0	1.000	—
Denver	6	2	.750	1½
San Antonio	6	2	.750	1½
Dallas	5	4	.555	3
Utah	4	4	.500	3½
Kansas City	1	6	.143	6
Pacific Division				
Phoenix	6	2	.750	—
Portland	4	4	.500	2
L.A. Lakers	4	5	.444	2½
L.A. Clippers	3	5	.375	3
Golden State	2	5	.286	3½
Seattle	2	6	.250	4

FRIDAY'S RESULTS

Kansas City	27	26	14	34—101
New Jersey	26	23	26	24—99

Theus 5-10 8-9 18, Drew 6-13 5-7 17; O'Koren 10-19 7-9 27, B.Williams 9-18 2-4 20. Rebounds: Kansas City 57 (Olberding 15); New Jersey 56 (B.Williams 15). Assists: Kansas City 14 (Theus 7); New Jersey 20 (Richardson 9).

Philadelphia	32	20	27	40—119
Boston	30	31	37	32—130

Bird 17-22 7-7 41, D.Johnson 7-13 5-5 19; Barkley 9-13 9-10 27, Malone 8-13 8-10 24. Rebounds: Philadelphia 48 (Malone 15); Boston 42 (McHale, Maxwell 8). Assists: Philadelphia 31 (Cheeks, Jones 6); Boston 31 (Ainge 12).

Indiana	28	26	20	31—105
Milwaukee	31	27	40	24—122

Moncrief 14-19 3-4 31, Cummings 9-16 7-8 25; Brown 9-11 3-3 21, Durrant 5-6 7-9 17. Rebounds: Indiana 60 (Williams 10); Milwaukee 47 (Lister 8). Assists: Indiana 20 (Brown, Sichting, Durrant, Fleming 3); Milwaukee 30 (Pressey, Dunleavy 9).

Golden State	27	27	22	31	9—117
Utah	26	24	38	18	17—125

Dantley 16-14 13-17 33, Griffith 11-27 4-8 26; Short 10-20 8-8 28, Floyd 6-17 6-8 18. Rebounds: Golden State 59 (Smith 15); Utah 48 (Wilkins [illegible]

[illegible]

Drexler 7). Assists: Los Angeles 31 (Johnson 15); Portland 40 (Valentine 11).

SATURDAY'S RESULTS

Atlanta	28	31	29	26—114
Phoenix	27	23	30	27—107

Wilkins 13-24 8-10 34, Johnson 8-14 6-7 22; Edwards 6-12 10-13 22, Humphries 7-14 3-4 17. Rebounds: Atlanta 37 (Levingston 6); Phoenix 48 (Edwards, Nance 7). Assists: Atlanta 26 (Johnson 7); Phoenix 26 (Macy 9).

Utah	38	35	30	32—135
Denver	40	37	36	34—147

English 19-29 6-8 44, Natt 12-17 10-10 34; Green 9-15 5-6 23, Dantley 7-10 6-11 20. Rebounds: Utah 46 (Eaton 11); Denver 44 (Dunn 10). Assists: Utah 20 (Green, Griffith 6); Denver 32 (English 9).

Cleveland	14	31	24	34—103
San Antonio	37	35	33	22—127

Gervin 18-23 6-6 42, Mitchell 10-19 6-8 26; Hinson 8-15 4-5 20, Turpin 6-12 2-2 14, Thompson [illegible]

[illegible]

Transition

BASEBALL
American League

SEATTLE—Signed Chuck Cottier, manager, to a one-year contract.

[illegible]

from waivers. Placed Johnny Ray Smith, defensive back, on injured reserve.

SAN FRANCISCO—Re-activated Jesse Sapolu, offensive lineman, from injured reserve.

[illegible]

European Soccer

[illegible]

Tennis

[illegible]

LANGUAGE

Let's All Terminate the Neutralize

By William Safire

WASHINGTON — "It is possible to neutralize carefully selected and planned targets," wrote the author of a Central Intelligence Agency manual for insurgents in Nicaragua, "such as court judges, police and state security officials, etc."

In that context, what did *neutralize* mean? Spook spokesmen hustled to their dictionaries to point out that the word came into the English language in 1759, meaning "to make chemically neutral" with that chemical definition extended to "to counteract the effect of, make ineffective." Viewed benignly, the manual's verb could mean merely to reduce the effectiveness of local officials, and to replace them with "friendlies."

Most readers aren't prepared to allow the manual-writer such dexterity, especially with the word "targets" as the verb's object. Moreover, *neutralize* has carried for centuries another meaning: "to destroy by an opposite force." Edmund Burke, in his 1795 letter on the proposals for peace with the Regicide Directory of France, criticized the author of a pamphlet for claiming "It was the monarchy that rendered France dangerous: Regicide neutralizes all the acrimony of that power and renders it safe and social." The Regicides were the killers of King Louis XVI, and Burke's use of *neutralize* in connection with them lays a historic basis for its use in the CIA manual.

What other bureaucratic euphemisms were available for murder? In the Vietnam War, special forces were said to use *terminate with extreme prejudice*. This was a lawyer at work ("Let's terminate all the lawyers," Shakespeare almost said). When litigation ends "without prejudice," the case is settled but the plaintiff is free to bring the same case back in the future. When the case ends "with prejudice," that ends it; serve your papers elsewhere. There is no legal *extreme prejudice*; that was some assassin's creative intensifier, and it became catnip for spy novelists. The CIA never authorized the phrase in manuals or at the locker room in Langley.

Dispatch has been overlooked lately in cutting orders for cutting life short. This verb began with the meaning "to send off with speed," but by 1530 had gained the sinister connotation of "to kill with swift efficiency." The English poet Algernon Charles Swinburne, agreeing with Thomas Carlyle, wrote, "If any poet or other literary creature could really be 'killed off by one critique' or many, the sooner he was so dispatched the better. . . ."

A quick review of thesauri offers *rub out, knock off, wipe out, bump off,* the specialized *frag* and the all-purpose *zap*. The headline-writer's favorite remains *slay*, and reporters like *execute gangland-style* (not even in Chicago are victims *taken for a ride* anymore — and whatever happened to *fit him for cement shoes?*).

Pity Arnold Schwarzenegger. He is just coming out in a movie titled, with all ominous intent, "The Terminator," when the hot new thing to be in the executioner's world is "The Neutralizer."

TOWARD the end of the recent political campaign, Lyn Nofziger, the longtime Reagan political associate who is now a private consultant, was observed aboard Air Force One. He was asked if he should be described as a *key aide* (one who unlocks doors for a candidate staggering home late at night) or an *adviser* and he shunned those pretentious bogus titles. His preference reflected an inner serenity: "Just call me a *hanger-on*."

IN *political writing, nothing* beats the application of a scientific phrase to the murky art of politics.

Immediately after the first Reagan-Mondale debate, some polls showed a 10-point victory for the challenger; after the commentators and opinion leaders had their say, this spread increased to an overwhelming 50-point decision for Mondale. I fully expected some public-opinion savant to cite this as an example of Lazarsfeld's Theory of Two-Step Communication, but I was mistaken; something more esoteric was in the works.

"This seemed to be a political application," wrote George Church in Time magazine, "of what in physics is known as the Heisenberg uncertainty principle: The very act of measuring a phenomenon changes the phenomenon being measured in such a way as to make future readings unpredictable."

One week later, Sidney Blumenthal wrote in The New Republic about the Bush-Ferraro debate: "And the polls, partly reflecting the Heisenberg effect of media influence, showed Bush a slight winner."

Who is Heisenberg, and what is he doing to warp the views of the people being *buttonholed by pollsters?*

Werner Karl Heisenberg, a German physicist and quantum mechanic who died in 1976, saw his "uncertainty principle" stolen from physics in 1970: "There is the possibility," wrote The Times of London, "of a Heisenberg effect: the act of trying to outguess market psychology itself becomes a factor in the psychology and may invalidate the conclusion."

Richard Reeves, the columnist who introduced the popcorn diet to his fellow pundits, is probably responsible for importing this phrase onto the United States political scene. Writing about President Jimmy Carter in The New York Times in 1977, Reeves observed: "No one does or can do the same things onstage that he does unobserved. It's the popularized Heisenberg effect: the act of observing inevitably changes the process under observation."

This effect is similar to *the Hawthorne effect*. In the 1920s, at the Western Electric Co.'s Hawthorne Works in Cicero, Illinois, experiments to improve worker performance yielded an odd result: The fact that management paid such attention to worker conditions in itself raised morale and productivity. Lights were turned up, productivity rose; then lights were lowered, productivity rose again, its cause having less to do with the lighting than the fun of being part of an experiment.

I asked Sol Steinmetz of Barnhart Books to run a fast check through the last effects, and he reports: "The first *effect* I found was the *halo effect*, a psychological term from 1928, defined as 'a bias whereby one fundamental characteristic of an individual (such as friendliness) influences the overall judgment of his character.' Others include *effects named for some person*, such as *the Einstein effect*, or some thing, such as *the Hawthorne effect*. Lately, we've had the *echo effect, the ratchet effect* and *the ripple effect*. Recently, scientific naming has received general application by analogy."

Legendary Pianist Provides a Link With the Past

By Lon Tuck

Washington Post Service

PHILADELPHIA — It was afternoon in the modest apartment off Rittenhouse Square where Mieczyslaw Horszowski has lived for a number of his 92 years. At a photographer's request, the legendary pianist and teacher went to the keyboard, and started playing some Bach.

Both the music and the small, elegant player seemed, as his student, the pianist Peter Serkin, remarked recently, intentionally "unimposing." He provides an extraordinary link with the past.

Horszowski, who has played in Washington dozens of times over the years — including the historic 1961 concert with Pablo Casals at the Kennedy White House — was preparing for a recital in Washington to open the Kennedy Center's Terrace Theater piano series. Over the decades, Horszowski has been famous for his uncompromisingly classical Beethoven and Mozart.

The sedate Horszowski living room is lined with books and musical memorabilia. Seating is adjusted: His failing eyes must not face the window, and the interviewer should talk into his good ear, the left one.

His wife, Bice, whom he had known for many years but did not marry until he was 89, presided gently but protectively. They sit next to each other, touching often and turning to each other when either is uncertain of an answer.

The Horszowskis have recently returned from a summer in Europe, including a trip to Warsaw. "They found my very first school," he recalled in a courtly Polish accent. "I was invited to play there. And the hall where I played was the same hall where I made my debut in 1902. I was 10 years old. And the work I played was Beethoven's First Concerto." That debut came after Horszowski came there to the conservatory. It was the year he met his lifelong friend, Artur Rubinstein, an older pupil.

The longevity of Horszowski as a performer now exceeds even that of Rubinstein, who retired at 89 because he could no longer clearly focus on the keyboard.

Though Horszowski's vision is in serious decline, he said, "I can still see the keys, though I have to see the notes in advance."

Mieczyslaw Horszowski

The Washington Post

He may be the last person still performing who was a student of Theodor Leschetizky, a student of Carl Czerny — who in turn was the favored student of Beethoven. It gives those who work with Horszowski, Peter Serkin said, "a thread of lineage, a sense of continuity."

Also, few musicians have had such a rich range of musical friends and acquaintances over such a span of years as Horszowski.

His recollections during almost three hours of discussion ranged from such giants of the late 19th century as the violinist Josef Joachim and the composer Gabriel Fauré to young associates born a century later, such as Serkin. Among the ones on whom he particularly dwelled: Arturo Toscanini, Maurice Ravel and Casals, with whom he was associated over almost seven decades.

Horzowski's American career began Dec. 30, 1906, with a Carnegie Hall debut in which he was billed as "Horszowski: The Wonderful Polish Child Pianist." The debut came almost by accident, Horszowski recalled. "I made a tour of South America, starting, I think, in July, or June. I went from Genoa to Buenos Aires. I gave a series of concerts there, and also in Montevideo, where I had a chance to see for the first time a performance of 'Tristan und Isolde' by Toscanini. Oh, what a great experience!

"And then I was in Brazil. And at the end of the year we were going to return to Europe, but we made the way through New York, and I took a boat in Rio to New York."

He moved here with the outbreak of World War II. Among the highlights of his American years are a 1957 cycle of Beethoven's entire works for the piano; a similar cycle of Mozart's sonatas three years later in New York; a series of 10 Mozart concertos two years after that at the Metropolitan Museum; and frequent performances at the Library of Congress, including regular appearances with the Budapest Quartet and a cycle of Mozart violin sonatas with Joseph Szigeti that is still available in record shops. He has also taught at Philadelphia's Curtis Institute for many years.

Horszowski met Casals in Milan in 1906. "He was one of the most popular names of the time. A household name, in all Europe. Everywhere. I heard him play first in Vienna. It was an overwhelming impression."

The two were still recording together in the 1960s when they made two Beethoven records at the Beethoven House in Bonn, the composer's birthplace. "It was for me one of the things which I remember with pride because right there was the room where Beethoven was born. It was just an opening, it was so small, on the last floor."

In 1961, Horszowski had known in advance about Casals's plans to perform at the White House. "He had said that we would come to Washington a few days early, and we rehearsed in our hotel."

Horszowski's invitation to play there came 17 years later, for a meeting that President Jimmy Carter was having with Polish-American leaders. He almost didn't make it, though. He was in Philadelphia and a snowstorm intervened.

"There was no traffic in Washington," he recalled. "There were no private cars, nothing. The man drove up to the gate at the White House, and the guard there said, 'Well, what do you want?' I said that I was invited to play for the president. And he was not very sure about me. He called inside and in about a half hour he was called back and the gate opened.

"We went to the East Room. And, would you believe, I recognized the piano, from a few years ago from the concert for President Kennedy. And it was very well tuned."

Dominating Horszowski's living room is a large framed print of a heavy, bearded Victorian — Leschetizky. Said Horszowski: "I care so much about it because it is so very alive, this picture of my most precious memory.

"In his home," Horszowski recalls, Leschetizky "organized, twice a month, programs of music. They were called The Classes. And his students were playing. They were already prepared. And there were guest musicians and visitors."

Young Horszowski, accompanied by his mother, who was a pianist herself, toured Europe. He played for Pope Pius X at the Vatican.

In Berlin he played for Joachim, for whom Brahms wrote the Violin Concerto. (Joachim gave him a note reading, "I would like to have made music with you.") In Paris he played for Fauré.

In 1911 Horszowski interrupted his career, settling in Paris to study literature, philosophy and the history of art.

"When the First War started," he recalled, "I was in Zermatt and being a national of Austria I couldn't go back to Paris. Having friends in Italy I decided to stay the war there. Of course, I was also an alien in Italy when Italy entered the war, but there were politicians who would give assurances that I would be loyal.

"And after the war I remained in Milan. It was the cultural center of Europe. Toscanini was giving the performances at La Scala. And there was Adolf Busch (Peter Serkin's grandfather). He came with the Busch Quartet every year and he would bring Serkin (Rudolf, Peter's father). They played all of the Beethoven, all of the Mozart, all of the Schubert."

He got to know Toscanini after the conductor came backstage after a concert. "I went to the Toscanini home very often. There I got to know Mengelberg [Willem, the Dutch conductor], and at those parties [the Italian writer and playwright Gabriele] D'Annunzio would improvise. He was a wonderful raconteur."

It was during that period, also, that Horszowski got to know Ravel. "I met him the day after the March on Rome by Il Duce. In Milan they organized special programs around the work of just one man. The inauguration of this series was an evening of music by Ravel.

"He was a small man. The piano was not an easy instrument for him. He played his Sonatina. He said it is so difficult that he had practiced it for a summer long. But it is not one of his hard works."

Peter Serkin remembered hearing Horszowski play for all of his life. "When I was 14 and 15 I went to hear him do the Beethoven at the 'Y' in New York."

Part of the experience of being a Horszowski student is, he said, "the privilege of seeing him examine a piece of music with a certain freshness. And it is important that it is not always verbal."

Serkin said that even now, at age 37 and firmly established as one of the world's important pianists, "I would still continue to study with Horszowski, but I would feel as if I were prying."

At the end of the conversation, he declared with intensity, "I love Horszowski."